UNITED PHOTOVOLTAICS

UNITED PHOTOVOLTAICS GROUP LIMITED

Hong Kong Stock Code: 00686

Renewable Energy • Refining our values

Remarkable Future

Annual Report 2013

Stable Development in Solar Power Plants Investment

Note:
1 2.1 MW of the 20 MW Shenzhen projects is grid connected
2 The acquisition of 130 MW of the 195MW Inner Mongolia projects is completed and it is grid connected
3 180 MW Qinghai projects are grid connected and trial running

The Group will have 13 grid-connected solar power plants with total installed capacity of 531.7 MW after completion of acquisitions of all projects.

	Grid-connected solar power plants in operation	Project type	Total on-grid installed capacity (MW)	Grid-connection date	FiT (Feed-in Tariff) RMB / KWh
1	Demonstration Project in Qianhai, Shenzhen	Warehouse roof-top distributed	2.1	Oct 2012	0.7579
2	User side grid-connected demonstration project in Quanzhou, Fujian	Factory roof-top distributed and ground mounted	10.8	Jun 2013	Self-occupied electricity Surplus 0.4304
3	2 PV ecological agriculture projects of Fengxian Huize in Xuzhou, Jiangsu (co-invested with Huabei Expressway of China Merchants Group)	Greenhouse roof-top distributed	23.8	Dec 2011	2.41
4	100MW Project in Jiayuguan, Gansu	Ground mounted	100	Jun 2013	1.00
5	20MW Project in Gonghe County, Qinghai	Ground mounted	20	Sept 2013	1.00
6	50MW project in Chahaeryouyiqianqi, Inner Mongolia	Ground mounted	50	Dec 2013	1.00
7	40MW project in Wulatehouqi, Inner Mongolia	Ground mounted	40	Dec 2013	1.00
8	40MW project in Tuoketuo County, Inner Mongolia	Ground mounted	40	Dec 2013	1.00
9	100MW project in Gonghe County, Qinghai ▲	Ground mounted	100	Dec 2013	1.00
10	50MW project in Gonghe County, Qinghai ▲	Ground mounted	50	Dec 2013	1.00
11	30MW project in Gonghe County, Qinghai ▲	Ground mounted	30	Dec 2013	1.00
12	65MW project in Tumotezuoqi, Inner Mongolia ❋	Ground mounted	65	Dec 2013	1.00
		Total	531.7		

Notes:
1 The acquisition of 130MW of the 195MW Inner Mongolia projects is completed and it is grid connected
2 As of 7 Apr, 2014

▲ Trial operation
❋ Acquisition in process

Contents

Letter to Investors

Dear Valued Investors,

Thank you for your continued support to the United Photovoltaics Group Limited ("**United PV**" or "**the Company**", together with its subsidiaries, "**the Group**"). I am pleased to present the Group's performance and development in 2013 and introduce the Group's vision and planning in the new year.

In 2013, the total revenue of the Group was HK$338 million, representing year-on-year growth of approximately 52%, mainly attributable to new source of revenue from the sales of electricity after acquisition of China Solar Power Group Limited ("**CSPG**", formerly known as **China Merchants New Energy Holdings Limited**), increase in overseas sales of polysilicon solar cells and RMB appreciation. The Group's revenue was still mainly from the solar cells segment. The loss attributable to the owners of the Company increased by approximately 183% to HK$2,305 million compared to the same period of 2012, which was mainly attributable to the immediate impairment of goodwill arising from the acquisition of CSPG; fair value loss on put option derived from the acquisition of 50% equity interest in Fengxian Huize Photovoltaic Energy Limited ("**Fengxian Huize**"); impairment of concession rights; and finance costs of convertible notes and bank borrowings.

Letter to Investors

In 2013, the Group ushered in a vital development pivot despite undesirable financial results. The Group experienced a rapid development of the extension of the industrial chain: we turned the Company into China's first listed company focusing on solar power plants operation; we collaborated with our business partners and steadily implemented the strategic objectives of power plants acquisition and operation.

Thanks to the joint efforts of the managers and staff, the Company completed the acquisition of CSPG in June 2013, and thus China Merchants New Energy Group Limited ("**CMNEG**") became the largest shareholder. Subsequently, the Company adjusted its development direction and expanded the business of solar power application, and thus became a solar power plant investor and operator from a solar cells supplier in China. Through the business expansion, the Company will be less affected by the fluctuation in the upstream of the solar industry and thus can concentrate on the long-term sustainable growth in the future. Since then, the Group has defined the strategic objective of focusing on solar power plants operation, and achieved rapid expansion and leapfrog development through acquisition, which is of great significance for the Group's strategic development in the future. Moreover, the Group also introduced a number of high-quality institutional investors through the issuance of convertible notes and the placing of new shares and further improved the shareholding structure of the Company, which has strengthened the Group's corporate governance and brought more resources to the Group.

During the expansion, the Group has allied with leading industrial players, vigorously promoting investment, operation and management of solar power plants and rapidly increasing installed capacity. As of December 31, 2013, the Group had four solar power plants with aggregate installed capacity of 132.9MW, covering Gansu, Qinghai, Fujian and Guangdong, all of which have been already grid connected. In addition, the Group signed definitive contracts to acquire solar power plants in Jiangsu, Qinghai and Inner Mongolia. Upon completion of all these acquisitions, the Group will beneficially own 13 solar power

Letter to Investors

plants with an aggregate installed capacity of approximately 531.7MW. In the meantime, the Group signed framework agreements with state-owned enterprises and leading industrial players, including GD Solar Co., Ltd. ("**GD Solar**"), China Triumph International Engineering Co., Ltd. ("**CTIEC**"), Huawei Technologies Co., Ltd. ("**Huawei**") and Zhongli Talesun Solar Co., Ltd. ("**Zhongli Talesun**"), to acquire solar power plants with a total installed capacity of 2.9GW, covering overseas and domestic projects. The Group will therefore have abundant pipeline projects in the coming five years. During the period under review, CMNEG, the largest shareholder of the Company, established the Photovoltaic Green Ecosystem Organization ("**PGO**") together with five leading companies in China solar energy industry, including GD Solar, GD NARI Technology Development Co., Ltd. ("**GD NARI**"), GD Inner Mongolia New Energy Investment Limited ("**GD Mongolia**"), Poly New Energy Technologies (Beijing) Co., Ltd. ("**Poly New Energy**") and Forty-eighth Research Institute of China Electronics Technology Group Corporation ("**Forty-eighth Research Institute**"). Under the PGO, it integrates each advantages of upstream and downstream in raw materials, equipment, system integration, electric power operation and information service, and carries out all-around cooperation in solar power plants with mutual benefits and advantages complementary as the principle, to ensure efficient development and construction, operation and maintenance of solar power plants, and to promote a healthy and sustainable development of the photovoltaic industry.

In order to better reflect the Group's new business model of allying with outstanding enterprises from all sectors and focusing on the development of solar power plants, the Company has been renamed to United Photovoltaics Group Limited from Goldpoly New Energy Holdings Limited in early 2014.

With our unique industry characteristics, we commit ourselves to solving environmental problems, especially the haze problem caused by traditional energy sources, in the hope of increasing the proportion of clean energy in the energy utilization structure. To this end, we have actively promoted the green economy of new solar energy, expanded the promotion of solar energy in electricity generation, and increased efforts to develop and promote new technologies in energy conservation and emission reduction, pollution control. Taking the 13 solar power plants with a total capacity of 531.7MW as an example, they could generate electricity of about 790,000,000 KWh per year to meet the electricity demand of approximately 530,000 ordinary families for a year. They can save about 270,000 tons of coal and reduce about 810,000 tons of carbon dioxide emissions each year, based on the average coal consumption of 335g per 1,000 watt by Chinese coal-fired power station, which is equivalent to planting about 1,650,000 trees each year.

Letter to Investors

Looking ahead, the year of 2014 will be full of opportunities and challenges and will witness our accelerated growth. We will achieve growth of the solar power plants by continuously adhering to the pragmatic and prudent principle, and create the close integration of financial and industrial business model, to become the most efficient and most specialized solar power plant operating platform in China: at the financial level, we will work with major state-owned enterprises and large organizations domestic and overseas to establish a joint financial platform with hybrid system; at the operating level, we will work with outstanding partners to jointly construct and manage the highest-quality solar power plants; and at the technical level, we will introduce advanced information technology to achieve cross-border integration and applications of new energy and big data management, thereby improving management efficiency of power plants, and will mobilize thousands of families to join the green home building.

We will continue to expand and optimize the financing channels through: 1) obtaining long-term funds with lower interest rates through finance leasing; 2) developing distributed power plants by innovative internet financing, such as crowdfunding. In 2014, we will launch a mobile application, to provide investors with a more convenient way to learn about our plants operation and a new investment channel; and 3) docking with insurance companies and exploring new models of assets securitization.

Finally, on behalf of the directors of the Company (the "**Board**"), I would like to take this opportunity to express heartfelt thanks to all the shareholders, the Group's managers and staff, customers and partners as well as all the friends who care for and support the development of our Group! In 2014, under the guidance of the Board and with the strong support of China Merchants Group, the Group's top management and staff will unite with absolute sincerity, deepen cooperation with PGO, continue to promote the acquisition of solar power plants with adequate project in the pipeline to expand total installed capacity, improve corporate governance and risk control, accelerate business integration and enhance operational efficiency, in order to perform better with higher return to investors.

/S/ Li, Alan
Chairman of the Board, Executive Director and Chief Executive Officer
Li, Alan

March 28, 2014

Company Profile

UNITED PHOTOVOLTAICS GROUP LIMITED

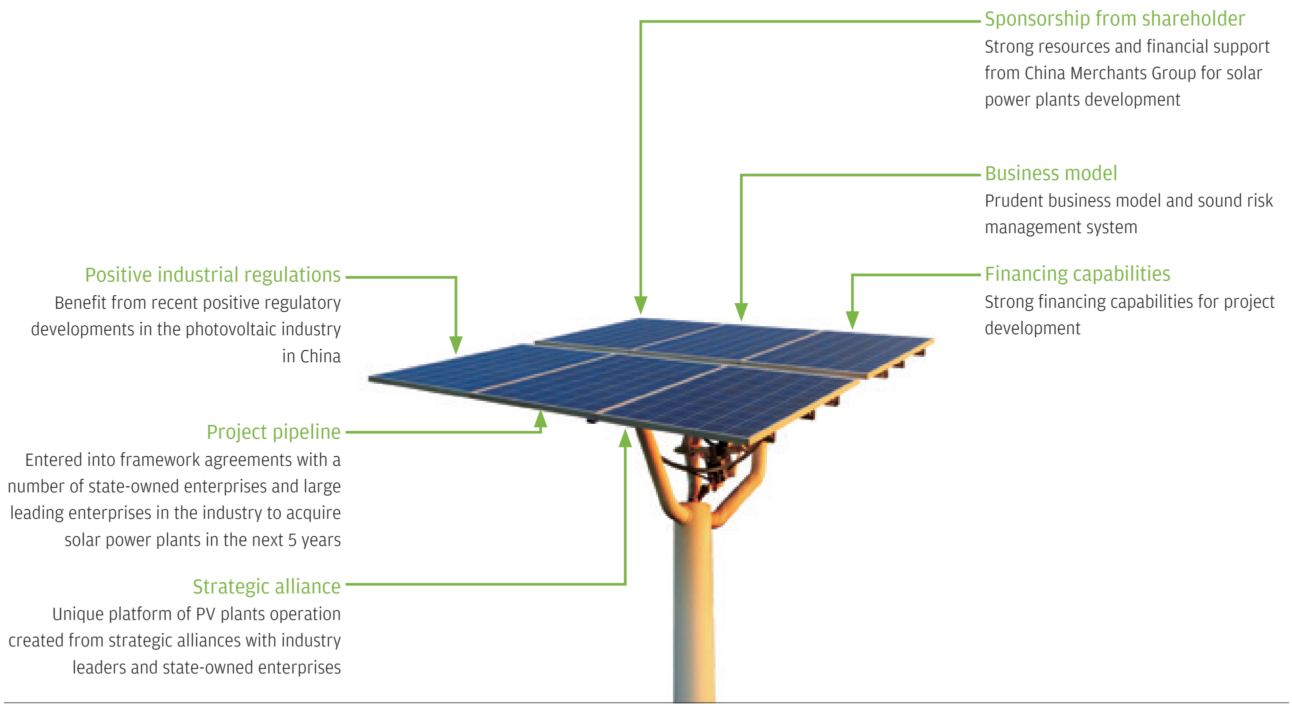
United Photovoltaics Group Limited ("**United PV**" or "**the Company**", together with its subsidiaries, "**the Group**") is a leading investor and operator focusing on photovoltaics power plants in China. As of December 31, 2013, the Company had four solar power plants with aggregate installed capacity of 132.9MW, covering Gansu, Qinghai, Fujian and Guangdong. In addition, the Company has signed definitive contracts to acquire solar power plants in Jiangsu, Qinghai and Inner Mongolia. Upon completion of all acquisitions, the Group will own 13 photovoltaics power plants with aggregate installed capacity of approximately 531.7MW. The Company has been renamed to United Photovoltaics Group Limited from Goldpoly New Energy Holdings Limited in early 2014.

United PV focuses on the fast-growing solar power plant market in China. At the industry level, United PV strives for significant expansion via investment in high-quality power plants. This helps stimulate rapid development of the entire industry chain including raw material suppliers, equipment manufacturers, systems integrators, electricity operators and information service providers through terminal advantages, and attracts more citizens to join in the cause of building green homes. We integrate and optimize the superior resources of the photovoltaics ("**PV**") industry, and have initiated the establishment of the PGO with state-owned enterprises and industry leaders, in order to vigorously promote solar power plants in a large-scale manner. At the technical level, we ally with technical elites in various fields, carry out cross-border design, applications and integration. Via the establishment of a global smart-technology solar power station management system and the use of various innovative technologies, United PV will achieve effective real-time management of its solar power plants around the world in order to improve operational efficiency and business results for the Company.

United PV is joining hands with partners from all sectors of society to build the most efficient and specialized solar power station operating platform in China, and establishing a photovoltaic green ecosphere by employing a low-carbon and economic development model in order to bring clean green energy into millions of families.

The Company is listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), with stock code 00686. HK.

Our major competitive advantages



Five-year Financial Summary

A summary of the results, assets and liabilities of the Group for the last five financial years is as follows:

	Year ended 31 December				
Results	**2013** **HK$'000**	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Revenue	**337,578**	223,269	840,491	249,078	97,452
Loss before income tax	**(2,477,175)**	(813,359)	(1,138,833)	(13,832)	(24,432)
Income tax credit/(expense)	**171,715**	(1,442)	(10,035)	(1,257)	–
Loss for the year	**(2,305,460)**	(814,801)	(1,148,868)	(15,089)	(24,432)

	As at 31 December				
Assets and liabilities	**2013** **HK$'000**	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Total assets	**5,990,863**	1,605,427	2,034,910	2,664,008	78,084
Total liabilities	**(5,540,942)**	(1,381,455)	(1,204,372)	(915,505)	(41,228)
Total equity	**449,921**	223,972	830,538	1,748,503	36,856

2013 Milestones and Events

June

Completed the acquisition of CSPG, marking the commencement of merge and acquisition and operation of solar power plants

The 100MW solar power plant in Jiayuguan, Gansu was successfully connected to the grid

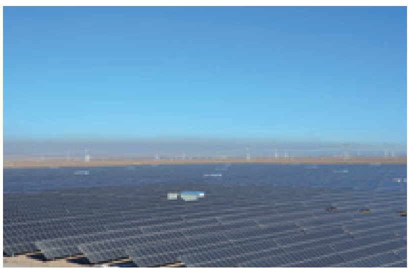
July

The 10.8MW user-side grid-connected solar power generation demonstration project in Quanzhou, Fujian was successfully connected to the grid

August

Signed a framework agreement with Zhongli Talesun for the acquisition of 300MW solar power plants

Signed conditional agreement for the acquisition of the 400MW solar power plants, with five members of PGO



September

Jointly acquired the 23.8MW ecological agriculture photovoltaics power plant in Xuzhou, Jiangsu with Huabei Expressway Co., Ltd. ("**Huabei Expressway**"), and the acquisition was completed in Dec 2013

The 20MW solar power plant in Gonghe, Qinghai was successfully connected to the grid

October & November

Completion of issuance of convertible bonds in the total amounts of US$120,000,000, introducing high-quality institutional investors

Signed a framework agreement with CNPC's Kunlun Trust Co., Ltd. ("**Kunlun Trust**") to acquire the 500MW solar power plants

United PV was selected into MSCI Global Small Cap Indices

Completed the placing of 55,000,000 new shares

December

Signed a sale and purchase agreement for joint acquisition of the 180MW Qinghai Gonghe solar power plants with Renewable Energy (Hong Kong) Trade Board Limited ("**EBODHK**"), and the acquisition was completed in Jan 2014

Signed sale and purchase agreements for the acquisition of the 195MW Inner Mongolia solar power plants with members of PGO, further promoting the acquisition process within PGO steadily

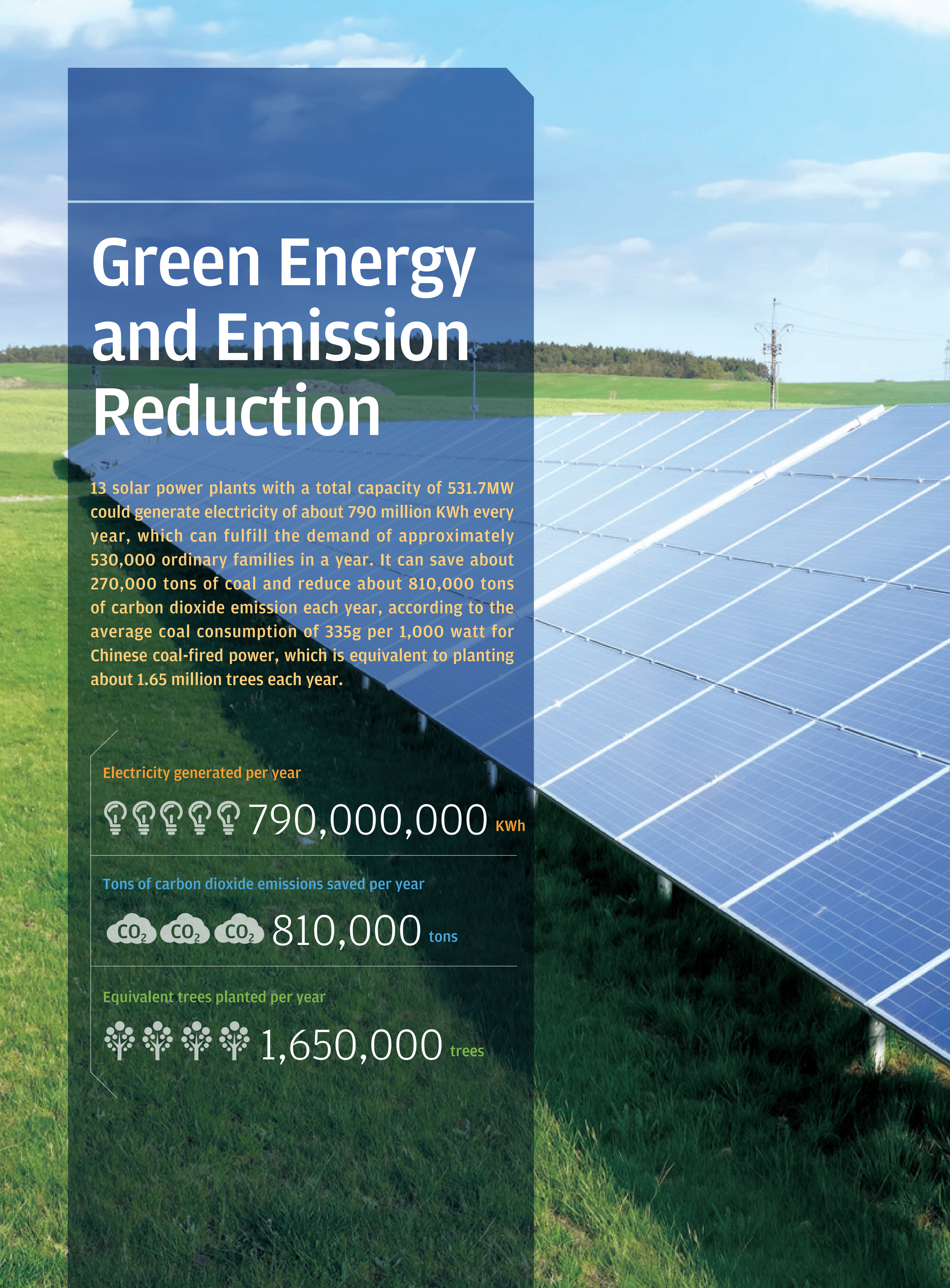
2013 Awards

1) In Feb 2013, Qianhai distributed photovoltaics on-grid power generation demonstration project was granted "Major Project Certificate" by Shenzhen Development and Reform Commission.

2) In Jun 2013, Qianhai distributed photovoltaics on-grid power generation demonstration project was granted "Special Funds for Development of Shenzhen Strategic Emerging Industries" by Shenzhen Science and Technology Innovation Committee.

3) In Oct 2013, Qianhai distributed photovoltaics on-grid power generation demonstration project was granted "Sub-item Funds for Shenzhen Nanshan District Technology R&D and Creative Design Project" by Shenzhen Nanshan District Science and Technology Innovation Bureau.

4) In Dec 2013, Qianhai distributed smart micro-grid energy supply system and Qianhai distributed photovoltaics on-grid power generation demonstration project were granted "Sub-item Funds for Shenzhen Nanshan District Energy Conservation and Emission Reduction" in two consecutive years by Shenzhen Nanshan District Development and Reform Bureau.



Green Energy and Emission Reduction

13 solar power plants with a total capacity of 531.7MW could generate electricity of about 790 million KWh every year, which can fulfill the demand of approximately 530,000 ordinary families in a year. It can save about 270,000 tons of coal and reduce about 810,000 tons of carbon dioxide emission each year, according to the average coal consumption of 335g per 1,000 watt for Chinese coal-fired power, which is equivalent to planting about 1.65 million trees each year.

Electricity generated per year

790,000,000 KWh

Tons of carbon dioxide emissions saved per year

CO_2 CO_2 CO_2 810,000 tons

Equivalent trees planted per year

1,650,000 trees

Management Discussion and Analysis

Results of the Group

In 2013, the Group recognised total revenue of approximately HK$338 million (2012: HK$223 million), which included the revenue from the sales of electricity of approximately HK$40 million (2012: Nil), the sales of solar cells of approximately HK$298 million (2012: HK$213 million), representing an increase of 51.57% as compared to that of the year ended 31 December 2012. The increase in revenue was mainly due to (i) the acquisition of CSPG which provided the Group with a new source of income derived from the sales of electricity generated by the solar power plants; (ii) increase in the overseas sales of polysilicon solar cells; and (iii) the appreciation of RMB during the year.

In 2013, the loss attributable to the owners of the Company amounted to approximately HK$2,305 million (2012: HK$815 million), representing an increase of 182.82% as compared to that of the year ended 31 December 2012. The increase in loss was mainly due to (i) immediate impairment of goodwill of approximately HK$1,205 million arising from the acquisition of CSPG; (ii) fair value loss on put option of approximately HK$164 million arising from acquisition of 50% equity interest in Fengxian Huize; (iii) the impairment of concession rights of approximately HK$819 million; and (iv) the finance costs, net of approximately HK$174 million in relation to convertible notes and bank borrowings.

The directors of the Company (the "Directors") do not recommend the payment of any dividend in respect of the year ended 31 December 2013 (2012: Nil).

Financial review

Segment information

Following the completion of the acquisition of CSPG in June 2013, the Group has two operating segments, namely (i) development, investment, operation and management of solar power plants ("Solar Power Plants") segment; and (ii) manufacturing and sales of solar cells ("Solar Cells") segment. The following table sets forth the Group's operating results by operating segments:

	Solar Power Plants HK$'000	Solar Cells HK$'000	Corporate function HK$'000	Total HK$'000
Revenue	39,529	298,049	–	337,578
Gross loss	(6,166)	(67,897)	–	(74,063)
Segment (loss)/profit	(2,228,904)	(123,167)	46,611	(2,305,460)

Management Discussion and Analysis

Revenue

In 2013, the revenue of the Group was approximately HK$338 million (2012: HK$223 million), which included the revenue from sales of solar cells of approximately HK$298 million (2012: HK$213 million) and sales of electricity of approximately HK$40 million (2012: Nil).

Revenue derived from Solar Cells segment increased from HK$213 million for the year ended 31 December 2012, to HK$298 million for the year ended 31 December 2013. The increase was mainly due to (i) increase in the overseas sales and the selling prices of the products sold overseas which were generally higher than those sold domestically; (ii) new customers were introduced, sales to such new customers accounted for 37% of the segment revenue for the year; and (iii) the appreciation of RMB during the year.

For the revenue from Solar Power Plants segment, it mainly represented the revenue generated from the four solar power plants as below:

Location	On-grid connection since	Approximate aggregate installed capacity	Sales of electricity HK$'000
Shenzhen, Guangdong Province, China	Oct 2012	2.1MW	1,392
Quanzhou, Fujian Province, China	Jul 2013	10.8MW	2,415
Jiayuguan, Gansu Province, China	Jun 2013	100MW	27,445
Gonghe, Qinghai Province, China	Sep 2013	20MW	8,277
Total		132.9MW	39,529

Except for the solar power plant located in Quanzhou, Fujian Province, China, the remaining solar power plants were acquired following the acquisition of CSPG in June 2013.

Management Discussion and Analysis

Gross loss

Gross loss arising from Solar Cells segment was approximately HK$68 million (2012: HK$77 million). Such loss was mainly due to the low utilisation of the production capacity. The gross loss margin has decreased from 35.9% in 2012 to 22.78% in 2013 and this was mainly due to (i) the increase in the overseas sales which generally raise higher gross profit margin; and (ii) the implementation of stringent cost control measures.

Gross loss arising from Solar Power Plants segment amounted to approximately HK$6 million which was mainly due to the depreciation charge of solar power plants exceeding the electricity income generated for the year ended 31 December 2013.

Other income

Other income mainly represented the government subsidies recognised during the year.

Other loss, net

The balance was arrived at after netting off some major items, including fair value gain on contingent consideration payables of approximately HK$43 million and the fair value loss on financial asset at fair value through profit or loss of approximately HK$101 million.

The financial asset at fair value through profit or loss was related to the guaranteed electricity income arrangement as disclosed in note 34(h).

Administrative expenses

Administrative expenses amounted to approximately HK$183 million in 2013, representing an increase of 173% from approximately HK$67 million in 2012. The increase was mainly due to the increase in staff cost as well as the professional fees incurred as a result of the acquisition of CSPG.

Impairment of goodwill

On 10 June 2013, the Group completed the acquisition of 92.17% of the issued share capital of CSPG, which was satisfied by (i) allotment and issue of 959,462,250 shares of the Company ("Consideration Shares"); and (ii) issuance of convertible notes in the total principal amount of approximately HK$1,160 million. Since the fair value of the total consideration transferred on the completion date of approximately HK$3,409 million was significantly higher than the recoverable amount of the underlying business, goodwill recognised of HK$1,205 million was considered to be immediately impaired by the management.

Management Discussion and Analysis

Impairment of concession rights

The Group recognised concession rights of approximately HK$2,448 million upon the completion of the acquisition of CSPG in June 2013. In the second half of 2013, there have been policy changes as to the subsidy and on-grid price for the solar power plants in China. On 30 August 2013, the National Development and Reform Commission of China released the New Tariff Notice (the "New Tariff Notice") to launch a new subsidising policy for distributed solar PV power plants and adjust benchmark on-grid price for electricity generated by centralised solar PV power plants. In particular, among other things, according to the New Tariff Notice, (i) for the distributed solar PV stations, the standard subsidy for electricity generated will be RMB0.42/KWh; (ii) for the centralised solar PV plants, the benchmark on-grid price will be set at RMB0.9/KWh, RMB0.95/KWh and RMB1.0/KWh for the projects in energy zones I, II and III respectively which are categorised based on local solar energy resources and generating plant construction costs; and (iii) the new standards will apply to the PV power stations registered after 1 September 2013 and those registered before 1 September 2013 but which did not start generating electricity until after 1 January 2014.

The summary of changes on tariff assumption as a result of the introduction of the New Tariff Notice is set out below:

Tariff assumption	On the acquisition of CSPG Valuation Date: 10 June 2013	Valuation of concession rights for proposed projects Valuation Date: 31 December 2013
Ground Projects	RMB1.00/KWh	Energy zone I: RMB0.90/KWh Energy zone II: RMB0.95/KWh Energy zone III: RMB1.0/KWh
Rooftop Projects	Approximately RMB0.7/KWh	Except for additional tariff subsidy of RMB0.42/KWh, there is no change on the RMB0.7/KWh tariff assumption as compared to the valuation date as of 10 June 2013.
	Certain projects which obtained special tariff approved by local government, ranged from RMB2.4/KWh to RMB3.7/KWh	No change to those projects with special tariff approved by local government.

According to the New Tariff Notice, for ground projects which will obtain on-grid approval on and after January 1, 2014, the projects have to be divided into three tiers and different tariff would be assigned according to their locations, at RMB0.90, RMB0.95 and RMB1.00 per KWh. For Ground Projects which obtained on-grid approval by December 31, 2013, the prevailing on-grid tariff of RMB1.0/KWh still applied. The above revision in government policy leads a reduction in revenue estimation in terms of tariff as revenue is derived by multiplication of electricity tariff and power generated by the power plants under the projects.

Management Discussion and Analysis

For rooftop projects, the form of subsidy was changed in the valuation from upfront subsidy to the investment cost that set off against capital expenditure to be spent on construction of power plants under the Golden Sun Program, to subsidy based on the power generated throughout the term of projects for distributed PV power plants, based on the prudential prediction and assumption that the New Tariff Notice would replace the Golden Sun Program gradually in the future. The present value of increase in forecast revenue due to subsidised tariff based on the power generated during the forecast period would not be enough to compensate the loss in cash flow due to cancellation of upfront subsidy once the capital expenditure incur.

As such, the Group revised its cash flow forecasts of concession rights accordingly based on the revision of government policy and the progress on the financing and acquisition status, and an impairment of approximately HK$819 million on concession rights was recognised during the year ended 31 December 2013.

The followings set out the differences in underlying assumptions for the impairment assessment as at 31 December 2013 versus on the completion of the acquisition of CSPG, i.e. 10 June 2013:

a) Ground and Rooftop Projects – Electricity generating capacity

As the business operation continues, there are changes to project pipelines and capacity to be reached as set out in the table below:

	On the acquisition of CSPG Valuation Date: 10 June 2013 Approximate Capacity (MW)	Valuation of concession rights for proposed projects Valuation Date: 31 December 2013 Approximate Capacity (MW)
Rooftop – to be acquired (note i)	332	303
Ground – to be acquired	1,886	1,886
Subtotal – Projects to be acquired	**2,218**	**2,189**
Rooftop – owned or acquired	2	–
Ground – owned or acquired	120	–
Subtotal – owned or acquired (note ii)	**122**	**–**
Total	**2,340**	**2,189**

Notes:

(i) During the period from 10 June 2013 to 31 December 2013, the Group completed the acquisition of Fengxian Huize which has an aggregate installed capacity of 23.8MW. In addition, the Group has cancelled a proposed project with approximate capacity of 5MW as the Group could not reach mutual consensus on certain conditions precedent of this proposed project with the vendor. Accordingly, the capacity for the proposed projects was decreased from 332MW to 303MW as at 31 December 2013.

(ii) On 10 June 2013, CSPG owned one rooftop solar power plant located in Shenzhen, Guangdong Province, China and two ground solar power plants located in Jiayuguan, Gansu Province, China and Gonghe, Qinghai Province, China, respectively. Their aggregate installed capacities were approximately 2.1MW, 100MW and 20MW respectively. Accordingly, they were classified as property, plant and equipment as at 10 June 2013.

Management Discussion and Analysis

b) Ground Projects – Power generation output

Power generated, or operational output, of a PV system is measured by the solar capacity (Wp or W) while electricity tariff is measured in Watt-hour (Wh). The corresponding conversion factor from W into Wh is dependent on the insolation which is closely related to the location of PV power plants.

Pursuant to the agreement for acquisition ("Agreement") of a project company which owns two solar power plants in Jiayuguan, Gansu and Gonghe, Qinghai (the "Jiayuguan and Gonghe Projects") from a vendor, in the event that the Jiayuguan and Gonghe Projects are able to obtain VAT reduction benefits from their operations, the guaranteed on grid hours will be reduced from 1,800 hours per annum to 1,700 hours per annum.

On the acquisition of CSPG: Certain ground projects with a total capacity of 300 MW to be acquired from the above vendor ("Certain Proposed Projects") adopted 1,800 MWh/MWp as insolation hours assumption, with reference to the Agreement.

As at 31 December 2013: On 23 September 2013, an announcement namely《關於光伏發電增值稅政策的通知》(財稅[2013]66號) was issued by Ministry of Finance of the PRC and the State Administration of Taxation of the PRC to allow for VAT reduction. Pursuant to the Agreement, the guarantee insolation hours for Jiayuguan and Gonghe Projects would have to be reduced from 1,800 MWh/MWp to 1,700 MWh/MWp. By taking reference to the Agreement, the insolation hours assumption of certain Proposed Projects was also reduced from 1,800 MWh/MWp to 1,700 MWh/MWp. The reduction of insolation hours led to a decrease in revenue as cash inflow, but at the same time, a decrease in capital expenditure as cash outflow for the acquisition of Certain Proposed Projects using the internal rate of return ("IRR") calculation.

The insolation hours assumption remain unchanged for other projects for the two valuation dates.

c) Ground Projects – Electricity tariff

As a result of the New Tariff Notice, the tariff assumptions were changed. The table below sets out the relevant capacity under the different electricity tariff category:

Ground Projects – Projects to be acquired	On the acquisition of CSPG Valuation Date: 10 June 2013 Approximate Capacity (MW)	Valuation of concession rights for proposed projects Valuation Date: 31 December 2013 Approximate Capacity (MW)
Tariff category		
RMB1.00/KWh	1,886	480
RMB0.95/KWh	–	1,206
RMB0.90/KWh	–	200
Total ground	1,886	1,886

Management Discussion and Analysis

d) Rooftop Projects – Electricity tariff and government subsidy

Except for certain projects which obtained special tariff approved by local government which are not affected by the New Tariff Notice, the following summarized the changes for the two measurement dates:

On the acquisition of CSPG: The applicable electricity tariff (Approximately RMB0.7/KWh) is assumed to grow at 3% per annum, in accordance with long-term inflation rate.

As at 31 December 2013: The applicable electricity tariff (Approximately RMB0.7/KWh) would remain stable throughout the term of projects, a more prudent assumption on tariff growth in view of recent change of government subsidy. The Group has registered its rooftop projects with a total planned capacity of 50MW by 2015 as the first batch of demonstration cases of distributed PV power plants approved by National Energy Administration. Because the management expected that all rooftop projects would be eligible to the government subsidy for distributed PV power plants, a prevailing subsidy of RMB0.42/KWh is added to the tariff assumed with end customers throughout the term of projects.

e) Capital Expenditure – Rooftop Projects (except certain projects of which the acquired price based on IRR)

On the acquisition of CSPG: The construction cost was based on the prevailing market construction price plus development cost, which was estimated at RMB10.5/W for rooftop projects. It was assumed that all rooftop projects (except certain projects which has obtained special tariff approved by local government) could successfully apply the subsidy from the Golden Sun Program and such subsidy are used to set off against capital expenditure to be spent on construction of power plants. Under the Golden Sun Program, an upfront subsidy of 50%-70% of the total investment cost, which is at RMB5.5/W for the projects qualified in year 2012, would be granted upon successful application. For Rooftop Projects where the construction cost was assumed at RMB10.5/W, the prevailing government subsidy of RMB5.5/W was assumed, i.e. the net capital expenditure after government subsidy would be RMB5.0/W.

As at 31 December 2013: The construction cost was based on the prevailing market construction price plus development cost, which was estimated at RMB10.5/W for Rooftop Projects. In December 2013, the PRC Ministry of Finance announced in a notice《關於清算2012年金太陽和光電建築應用示範項目的通知》(財辦建[2013]90號）that for those projects granted with Golden Sun subsidy, if they cannot be completed and on-grid before June 30, 2014, no subsidy would be granted for those projects. Other projects were not affected by this notice.

Management Discussion and Analysis

The following table summarized the comparison of the above valuation assumptions:

		On the acquisition of CSPG Valuation Date: 10 June 2013	Valuation of concession rights for proposed projects Valuation Date: 31 December 2013
a	Electricity generating capacity – to be acquired	2,218 MW	2,189 MW
a	Electricity generating capacity – owned or acquired	122 MW	–
b	Power generation output	Insolation hours adopted for 300MW ground projects was 1,800MWh/MWp	Insolation hours adopted for 300MW ground projects was 1,680MWh/MWp
c	Tariff – ground projects	RMB1.00/KWh	RMB0.90-RMB1.00/KWh
d	Tariff subsidy – rooftop projects	Nil	RMB0.42/KWh
d	Tariff assumption – rooftop projects	Approximately RMB0.7/KWh – RMB3.7/KWh	
d	Annual growth in tariff	3%	Nil
e	Capital expenditure	Upfront subsidy of RMB5.5/W if eligible for Golden Sun	Nil

For the two valuation dates, there is no change in discount rate applied (8.5% to 10.0%), degradation factors (0.8% per annum) and cash operating expenses assumption.

Management Discussion and Analysis

Finance costs, net

Finance costs, net amounted to approximately HK$174 million in 2013, representing an increase of 168% from approximately HK$65 million in 2012. The increase was mainly due to (i) the imputed interest arising from the convertible notes; (ii) the interests incurred for the loan facilities in relation to the solar power plants since the acquisition of CSPG; and (iii) Day 1 fair value loss, offset by subsequent fair value gain on convertible notes.

Share of loss of an associate

The Group's share of loss of an associate for the year ended 31 December 2013 was approximately HK$1 million, which was derived from the Solar Cells segment.

Liquidity, financial resources, gearing ratio and capital structure

The Group's principal sources of working capital included cash flow from operating activities, bank borrowings, loans from shareholders, proceeds from issuance of convertible notes and placing of shares. The Group adopts a prudent treasury management policy to maintain sufficient working capital. As at 31 December 2013, the Group recorded total assets of approximately HK$5,991 million (2012: HK$1,605 million), current liabilities of approximately HK$1,740 million (2012: HK$587 million), non-current liabilities of approximately HK$3,801 million (2012: HK$794 million) and shareholders' equity of approximately HK$450 million (2012: HK$224 million). The net current liabilities position of the Group was approximately HK$1,001 million (2012: HK$250 million) as at 31 December 2013. In order to finance the working capital of the Group, certain financing measures have been undertaken by the Directors as set out in going concern note on pages 88-90 to this report.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current bank borrowings, loan from a third party, amounts due to shareholders and convertible notes as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

Management Discussion and Analysis

The gearing ratios at 31 December 2013 and 2012 were as follows:

	2013 HK$'000	2012 HK$'000
Bank borrowings	1,088,987	98,765
Loan from a third party	127,189	–
Amounts due to shareholders	26,200	26,000
Convertible notes	1,235,912	652,665
	2,478,288	777,430
Less: Cash and cash equivalents	(137,413)	(32,297)
Net debt	2,340,875	745,133
Total equity	449,921	223,972
Total capital	2,790,796	969,105
Gearing ratio	83.9%	76.9%

The increase in gearing ratio as at 31 December 2013 was mainly due to issuance of convertible notes during the year and the borrowings assumed as part of the acquisition of CSPG.

The Group's bank borrowing were denominated in RMB while the cash and cash equivalents were denominated in HK$, RMB and US$. The convertible notes were denominated in HK$ and US$. The shareholders' loans were denominated in HK$.

During the year ended 31 December 2013, the Group did not enter into any financial instruments for hedging purposes nor did the Group have any currency borrowing and other hedging instruments to hedge against foreign exchange risks (2012: Nil).

As at 31 December 2013, the Group had capital expenditure commitments for purchase of property, plant and equipment and land use rights amounted to approximately HK$266 million (2012: HK$207 million).

Management Discussion and Analysis

Material acquisitions and disposals of subsidiaries and associated companies

On 10 June 2013, the Group completed the acquisition of 92.17% of the issued share capital of CSPG, which was satisfied by the allotment and issue of 959,462,250 shares of the Company and the issue of convertible notes in the principal amount of approximately HK$1,160 million. CSPG became a subsidiary of the Company.

On 27 December 2013, the Group completed the acquisition of 50% equity interest in Fengxian Huize with a total cash consideration of RMB225 million (equivalent to approximately HK$286 million). Fengxian Huize became an associate of the Company.

During the year, there was no disposal of subsidiaries and associated companies.

Exposure to fluctuations in exchange rates and related hedges

The Group operates mainly in Hong Kong and Mainland China. For the operations in Hong Kong, most of the transactions are denominated in HK$ and US$. The exchange rate of US$ against HK$ is relatively stable and related currency exchange risk is considered minimal. For the operations in Mainland China, most of the transactions are denominated in RMB. The conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by the PRC government. The Group did not resort to any currency hedging facility for the year ended 31 December 2013. The management expected that the appreciation of RMB in the long run would have a favourable impact to the Group. However, management will monitor the Group's foreign currency exposure should the need arises.

Charge on Group assets

As at 31 December 2013, bank borrowings of approximately RMB856 million (equivalent to approximately HK$1,089 million) of the Group were secured by certain land use rights, buildings, power generators and equipment, investment properties and pledged bank deposits of the Group. Certain convertible notes are secured by share mortgages over shares of certain subsidiaries, charge over assets of certain subsidiaries and a charge over a restricted bank account for interest reserve purpose.

Contingent liabilities

As at 31 December 2013, the Group had no significant contingent liability (2012: Nil).

Management Discussion and Analysis

Employees and remuneration policies

As at 31 December 2013, the Group had 31 (2012: 14) full-time employees in Hong Kong and 260 (2012: 261) full-time employees in the PRC. The total number of full-time employees of the Group was 291 (2012: 275). Employees are remunerated according to the nature of their positions and market trends, with merit incorporated in the periodic salary review to reward and motivate individual performance. The Group offers competitive remuneration packages to different levels of staff, including subsidized training programme as well as share option scheme, employee incentive scheme for the benefits of the directors and eligible employees of the members of the Group. Upon the completion of the acquisition of CSPG, the Company replaced the then employee incentive scheme ("EIS") by issuing 20,010,000 shares of the Company and convertible notes in the principal amount of HK$80,040,000 to the Sino Arena Investment Limited ("Sino Arena" or the "Trustee"), a BVI company, in exchange for the shares of CSPG held by the Trustee. The Trustee holds the shares and convertible bonds of the Company for and on behalf of eligible persons who are granted the shares according to the provisions of the EIS. Total staff cost (including directors' emoluments) for the year ended 31 December 2013 amounted to approximately HK$122.3 million (2012: HK$34.3 million).

The use of funds raised by the Company during the period from 1 January 2013 to 28 March 2014

From 1 January 2013 to 28 March 2014, the Company sought financing by issuing securities for cash, including issuing convertible securities for cash. As at 28 March 2014, none of the convertible securities which were issued during the period has been converted.

Details of these fundraising activities are summarized as below:

Date of announcement	Issue Date	Event	Net Proceeds (approximately)	Date of Shareholders' approval	Actual use of proceeds as at the date of this report (approximately)
13 September 2013	27 December 2013	Issue of convertible bonds in the total principal amount of HK$232,959,339	HK$233 million	Specific Mandate on 9 December 2013	The proceeds from the issue of shares, convertible bonds and notes have been used for the following purposes:
29 September 2013	8 October 2013	Issue of USD denominated 5.0% secured guaranteed convertible bonds in the total principal amount of USD50,000,000	HK$371 million	General Mandate on 27 June 2013	1. HK$ 1,274 million was used to finance the solar power business of CSPG and its subsidiaries, in connection with solar power plants located in Gangsu, Qinghai, Jiangsu, Inner Mongolia in China
10 October 2013	20 November 2013	Placing of 55,000,000 new shares	HK$92 million	Specific Mandate on 11 November 2013	2. HK$23 million was withheld for interest reserve account for convertible bonds; and
16 October 2013	14 November 2013	Issue of USD denominated 5.0% secured guaranteed convertible bonds in the total principal amount of USD70,000,000	HK$520 million	Specific Mandate on 11 November 2013	3. HK$14 million was used for general operating and administrative costs and expenses.
24 January 2014	29 January 2014	Placing of 480,000,000 new shares	HK$809 million	General Mandate on 11 November 2013	
		Total	HK$2,025 million		HK$1,311 million

Management Discussion and Analysis

Business Review

Solar Power Plants

On 10 June 2013, the Group completed the acquisition of a 92.17% of the issued share capital of CSPG, which marks as a milestone of the Group's expansion into business downstream by focusing on development, investment, operation and management of solar power plants.

In June 2013, a solar power plant with installed capacity of 100MW located in Gansu Province, the PRC and a PV demonstration project with installed capacity of 10.8MW located in Fujian Province, the PRC achieved on-grid connection respectively. Both of the projects are owned by indirect wholly owned subsidiaries of the Company. In September 2013, a solar power plant with installed capacity of 20MW located in Qinghai Province, the PRC, owned by an indirect wholly owned subsidiary of the Company, achieved on-grid connection successfully. Taking into account one roof-top PV demonstration project with installed capacity of 2.1MW located in Shenzhen, the PRC, which was developed by an indirect wholly owned subsidiary of the Company and has been in operation since October 2012, the Group had four solar power plants with aggregate installed capacity of approximately 132.9MW in operation as of 31 December 2013.

On 27 December 2013, the Group completed the acquisition of 50% equity interest in Fengxian Huize which, together with its subsidiaries, is principally engaged in operating two roof-top solar power projects with an aggregate installed capacity of approximately 23.8MW and ecology agriculture and farming related business in Jiangsu Province, the PRC. Fengxian Huize is accounted for as an associate of the Group after the completion of acquisition. Accordingly, as of 31 December 2013, two solar power plants with aggregate installed capacity of approximately 23.8MW in operation were owned by Fengxian Huize, an associate of the Company.

During the year, the Group consolidated the results of the following four solar power plants into its financial statements:

Location	On-grid connection since	Approximate aggregate installed capacity	Electricity generated during the year	On-grid tariff (include VAT) RMB/KWh
Shenzhen, Guangdong Province, China	Oct 2012	2.1MW	1,555,170 KWh	0.7579
Quanzhou, Fujian Province China	Jul 2013	10.8MW	4,705,724 KWh	0.4304
Jiayuguan, Gansu Province, China	Jun 2013	100MW	25,649,141 KWh	1.00
Gonghe, Qinghai Province, China	Sep 2013	20MW	7,734,852 KWh	1.00
Total		132.9MW	39,644,887 KWh	

For the year ended 31 December 2013, revenue derived from the sales of electricity amounted to approximately HK$40 million (2012: Nil). A net loss of HK$2,229 million was recorded, mainly because of the impairment charge on goodwill relating to acquisition of CSPG and impairment of concession rights.

Management Discussion and Analysis

Manufacturing and sales of solar cells

With its production facilities located in Fujian Province, the PRC, the Group supplies polysilicon solar cells to customers worldwide.

For the year ended 31 December 2013, the sales to new customers accounted for 37% of the segment revenue and more revenue was attributed to overseas sales in which higher selling price were charged than the domestic sales. Combining with the effect of appreciation of Renminbi during the year ended 31 December 2013, the sales of solar products recorded an increase of revenue as a result. The implementation of stringent cost control measures made certain contribution to the decrease in gross loss, however, low factory utilization has undermined our manufacturing cost reduction effort.

The table below sets out the production capacity, production volume, sales volume and utilization rate of the solar cells production facilities of the Group during the year ended 31 December 2013:

	Production capacity MW	Production volume MW	Sales volume MW	Utilization ratio %
Solar cells	200	75	83	37.5

For the year ended 31 December 2013, revenue generated from our manufacturing and sale of solar cells amounted to approximately HK$298 million, representing an increase of 40% from HK$213 million for the year ended 31 December 2012. Gross loss was approximately HK$68 million, representing a decrease of 12% from approximately HK$77 million for the year ended 31 December 2012. The net loss of manufacturing and sale of solar cells was mainly due to low utilisation of production capacity.

Recent development

On 19 December 2013, United Photovoltaics (Changzhou) Investment Co., Ltd. (聯合光伏(常州)投資有限公司) ("UP (Changzhou)"), an indirect wholly-owned subsidiary of the Company, entered into two sale and purchase agreements with Jiangsu Yongneng New Energy Investment Limited* (江蘇永能新能源投資有限公司) regarding the acquisition of a 86.79% equity interest in Guodian Chahaeryouyiqianqi Solar Power Company Limited* (國電察哈爾右翼前旗光伏發電有限公司) and a 90.33% equity interest in Guodian Wulatehouqi Solar Power Company Limited* (國電烏拉特後旗光伏發電有限公司) respectively (altogether, the "90MW Equity Interest"). On the same date, UP (Changzhou) entered into two sale and purchase agreements with Forty-eighth Research Institute regarding acquisition of a 89.7839% equity interest in Guodian Tuoketuo County Solar Power Company Limited* (國電托克托縣光伏發電有限公司) and a 55% equity interest in Guodian Nailuntumotezuoqi Solar Power Company Limited* (國電奈倫土默特左旗光伏發電有限公司) respectively (altogether, the "105MW Equity Interest"). These four target companies own four solar power plants located in Inner Mongolia, China with an aggregate installed capacity of approximately 195MW. As at the date hereof, the acquisition of 90MW Equity Interest and Guodian Tuoketuo County Solar Power Company Limited* is completed. Whereas certain conditions precedent to the acquisition of the equity interests of Guodian Nailuntumotezuoqi Solar Power Company Limited* as stated in the corresponding sales and purchase agreements have not yet been satisfied. The Company is cooperating with all the relevant parties closely to consummate such acquisition.

Management Discussion and Analysis

On 7 January 2014, the Group completed the acquisition of a 45% equity interest in Changzhou Dinghui for a total cash consideration of RMB4.5 million (equivalent to approximately RMB5.7 million). Changzhou Dinghui and its subsidiaries are principally engaged in investment, construction, operation, maintenance and management of solar power plants located in Gonghe, Qinghai Province, China with an aggregate installed capacity of approximately 180MW.

On 8 January 2014, in furtherance to the acquisition of 45% equity interest in Changzhou Dinghui, UP (Changzhou) entered into a sale and purchase agreement with Renewable Energy (Hong Kong) Trade Board Limited ("EBODHK") regarding the acquisition of the remaining 55% equity interest in Changzhou Dinghui for cash consideration of RMB5.5 million (equivalent to approximately HK$7.0 million (the "Changzhou Dinghui Acquisition"). As the Changzhou Dinghui Acquisition constitutes a major connected transaction under the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, a special general meeting will be held to seek the approval by the Company's Shareholders. Upon completion of the Changzhou Dinghui Acquisition, Changzhou Dinghui will become a wholly-owned subsidiary of the Company.

Upon completion of all the aforesaid acquisitions, the Group and its associates will beneficially own thirteen solar power plants with aggregate installed capacity of approximately 531.7MW.

Details of the abovementioned solar power plants are summarised below:

Location	Number of Solar Power Plant	Approximate Aggregate Installed Capacity	On-grid Connection Status
Shenzhen, Guangdong Province, China	1	2.1MW	Connected
Quanzhou, Fujian Province, China	1	10.8MW	Connected
Jiayuguan, Gansu Province, China	1	100MW	Connected
Gonghe, Qinghai Province, China	4	200MW	Connected
Fengxian, Jiangsu Province, China	2	23.8MW	Connected
Inner Mongolia, China	4	195MW	Connected
TOTAL	13	531.7MW	

In order to finance its investment in and acquisition of solar power projects, the Company allotted and issued 480,000,000 ordinary shares to not fewer than six independent third parties at placing price of HK$1.72 per share on 29 January 2014. The net proceeds of approximately HK$809 million will be used to finance any possible acquisitions of solar power plants as and when opportunities arise (including but not limited to the possible acquisitions contemplated under the framework agreement and cooperation agreement entered into by the Group as set out in the Company's announcements on 21 January 2014 and 9 January 2014, respectively).

Management Discussion and Analysis

Prospect

In response to various stringent environmental regulations in the recent years, countries worldwide are more and more interested in developing renewable energy for electricity generation. A major growth area in the renewable sector is solar energy.

According to the European Photovoltaic Industry Association (EPIA), a worldwide industry association for the solar photovoltaic electricity market, with 37GW of newly-added capacity in 2013, the global cumulative installed PV capacity reached 136.7GW at the end of 2013, representing an increase by 35% compared to 2012.

As per media reports, the average cost of a completed PV system dropped by 16% during the third quarter 2013 on a year-over-year basis, and the average price of a solar module has dropped by 60% since the beginning of 2011. These price drops will encourage more PV installations in the market.

Per EPIA, China installed around 11GW of solar modules in 2013, making it the world's largest solar market in 2013. With around 6.9GW, Japan was the second global biggest market in 2013, while the United States ranked number three with 4.8GW. Such trend is expected to continue.

As a policy-driven market, the pulse of solar energy industry is tied to the swings in the macro-economy and government policies. For the outlook of the global market, China is expected to experience a robust and sustained growth and lead the world in total electricity generation from renewable sources. It would be followed closely by the United States with its gradually improving economy.

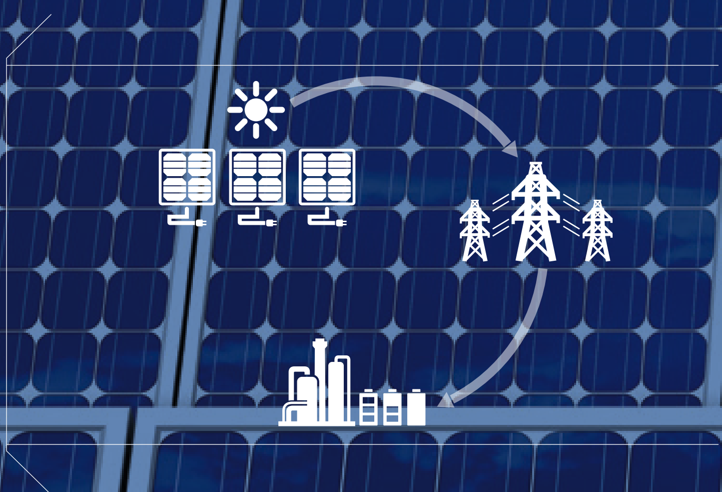
Looking forward in 2014, uncertainties in global economy will continue to affect the liquidity of the capital markets and commercial lending, which would be challenging for the solar project plants developers and investors to obtain the necessary funding. However, as an industrial player in China, we anticipate to be able to benefit from the financing support by China Development Bank which was jointly announced by it and the National Energy Administration of China in October 2013. Furthermore, a number of alternative financing approaches, such as finance lease, internet funding and specific solar PV funds, are being explored recently for developing and investing in the solar power plants in China, which would greatly help in the growth of the Chinese solar industry. The various supporting state and local policies by Chinese government for solar energy industry makes us optimistic about the outlook for the market. The Chinese government has set a solar installation target of 35GW by 2015 under its Five-Year Plan and the National Energy Administration of China has earmarked 14GW of installations nationwide in 2014. In addition, the declining costs for photovoltaic products have led to lower installation costs and a better return for solar power plant operators.

Based on the above observations and understanding, the Company is confident that solar power plant business will be the growth driver of the Group's business in the future. We will continue with the strategy to identify suitable projects with good prospects and potential for stable returns and will devote more resource in the solar power plants business. We'll focus on the domestic market and also explore the overseas markets, if any appropriate opportunity arises.

* *For identification purpose only*

Professional Investor and Operator in Solar Power Plants

Industrial Cooperation:	Cooperate with large state-owned enterprises and industry leaders to drive M&A of grid-connected solar power plants
Technical Cooperation:	Cooperate with top research institutions to develop smart-technology management system for solar power plants
Financial Cooperation:	Expand financing channels through international financing platform



Biographies of Directors and Senior Management

Executive Directors

Mr. Li, Alan

Mr. Li, Alan, aged 46, was appointed as an executive director, the chief executive officer of the Company and Chairman of the Board on 10 June 2013, 11 June 2013 and 7 January 2014, respectively, responsible for overseeing the Company's development strategies, M&A, capital market and daily operation. He is also the member of the nomination committee and the risk control committee of the Company. Mr. Li also serves as chairman and executive director of Renewable Energy Trade Board Corporation ("EBOD", its ordinary shares were listed on the NASDAQ from 1996 to February 2013) and CSPG, which is an indirect subsidiary of the Company. He is also the director of CMNEG and Pairing Venture. As the founder of Photovoltaic Green Ecosystem Organization (PGO), Mr. Li established China's first photovoltaic whole-chain eco-system in 2013, through the joint cooperation among United PV and state-owned enterprises such as State Grid. The PGO has rapidly expanded development and construction of large-scale photovoltaic power plants in China. Prior to joining CMNEG, Mr. Li served as executive director of Linchest Technology Ltd. and Shun Tai Investment Limited. PGO was mainly engaged in investment, mergers and acquisitions in China. Mr. Li has extensive and solid experience in investments and management of conglomerate companies. Mr. Li obtained an MBA from Murdoch University of Australia.

Mr. Lu Zhenwei

Mr. Lu Zhenwei, aged 43, was appointed as an executive director of the Company on 10 June 2013. He is a member of the risk control committee of the Company. Mr. Lu is also the executive director and chief financial officer of EBOD, general manager of Shenzhen China Merchants Yinke Investment Management Ltd. Mr. Lu is also the director of each of China Merchants Technology Group Co., Ltd., CMNEG and CSPG. Mr. Lu served as a director of 北京清華華環電子股份有限公司 (Beijing Qinghua Huahuan Electronics Co., Ltd.*) and 中國科招高技術有限公司(China KZ High technology Co., Ltd.*), and general manager of China Merchants Technology Group Co., Ltd.. Mr. Lu served as a director of 深圳中國農大科技股份有限公司 (Shenzhen CAU Technology Co., Ltd*) from May 2003 to May 2008, the shares of which are listed on the main board of Shenzhen Stock Exchange. Prior to joining China Merchants Group, Mr. Lu served as a director, general manager, deputy manager and chief financial officer in a number of companies. He is a veteran in venture investment and management with more than ten years' experience and shares unique insights of financing matters. Mr. Lu was awarded a bachelor degree in economics by the Shanghai Maritime University and a Master's degree in finance by Zhongnan University of Economics and Law.

Biographies of Directors and Senior Management

Non-Executive Directors

Academician Yao Jiannian

Academician Yao Jiannian, aged 60, was appointed as a non-executive director of the Company on 25 October 2010. Academician Yao is currently a researcher with the Institute of Chemistry, CAS, and was elected as an academician of the Chinese Academy of Sciences in 2005. Academician Yao is also a member of the 9th and 10th National Committee of the Chinese People's Political Consultative Conference, member of the standing committee of the 11th National People's Congress, and member of the 7th National Committee of China Association for Science and Technology. During the period from March 2000 to March 2008, he was the deputy head of the Institute of Chemistry, CAS. During the period from August 1995 to September 1999, Academician Yao had been an associate researcher, researcher, instructor for students of doctoral degrees, director of laboratory, and assistant to center head of the Institute of Photographic Chemistry, CAS. Academician Yao graduated from the Chemistry Department of Fujian Normal University in 1982 and was conferred a Master's degree by the Graduate School of Engineering of Tokyo University, Japan in 1990 and a doctoral degree by the same university in 1993.

Mr. Yang Baiqian

Mr. Yang Baiqian, aged 48, was appointed as a non-executive director of the Company on 10 June 2013. He is a member of both the audit committee and the remuneration committee, and the chairman of the risk control committee of the Company. Mr. Yang serves as the deputy general manager of China Merchants Shekou Industrial Zone Co., Ltd., the chairman and the general manager of China Merchants Technology Group Co., Ltd., Shenzhen China Merchants Technology Investment Co., Ltd., Shenzhen Beike Venture Co., Ltd. Mr. Yang is also the chairman of the board of CMNEG and a director of the CSPG. Prior to joining China Merchants Group, Mr. Yang served as a manager and deputy general manager of Computer Application Research Institute of Ministry of Communication, Shenzhen Shekou Planning and Statistic Bureau. Mr. Yang has extensive experience in business administration, investment management, as well as capital market development. Mr. Yang holds an MBA from Tsinghua University Economic and Management School and a Bachelor's degree in Modern Control Theory from Nankai University.

Ms. Qiu Ping, Maggie

Ms. Qiu Ping Maggie, aged 35, was appointed as a non-executive Director and company secretary of the Company on 10 June 2013 and 10 August 2013, respectively. Ms. Qiu is also director and president of CSPG, overseeing the legal matters, compliance, corporate governance and human resources of CSPG over six years. She was company secretary and senior vice president of EBOD. Prior to that, Ms. Qiu served as assistant to general manager in multinational companies and gained extensive experience in corporate governance, M&A and project management. Ms. Qiu received a Bachelor's degree in Economics and a Bachelor's degree in German Literature from Peking University. Ms. Qiu was also awarded a Master's degree in European Culture and Economics from Ruhr University in Germany and a Master of Laws in Corporate and Financial Law from the University of Hong Kong.

Biographies of Directors and Senior Management

Mr. Wu Zhenmian

Mr. Wu Zhenmian, aged 66, was appointed as a non-executive director of the Company on 1 August 2013. Mr. Wu is currently the chairman of Sanya China Sports Vantone Olympic Property Co., Ltd., the chairman and president of Zhongao Cultural Investment Company (中奧文化投資公司) and Zhongao Plaza Management Company Limited (中奧廣場管理有限公司). Mr. Wu has also served as the chairman of the Olympic Garden Management Group, the director of the Fund Management Centre of the National Sports Commission (國家體委基金管理中心主任), the secretary general of China Sports Foundation, the vice-president of the Chinese Basketball Association and the vice-president of the Chinese Wushu Association. Mr. Wu established China Sports Industry Co.,Ltd. (currently restructured as China Sports Industry Group) listed in the PRC in 1998, and was the president from March 1998 to April 2010. Mr. Wu also assumes social responsibility through serving as the vice-president of China-EU Friendship Association, the vice-president of the Chinese Badminton Association and the vice-president of the Chinese Hockey Association. Mr. Wu obtained a Master's degree of Architectural Economy and Management from Harbin University of Architecture and Engineering in 1994.

Independent Non-Executive Directors

Mr. Kwan Kai Cheong

Mr. Kwan Kai Cheong, aged 64, was appointed as an independent non-executive director of the Company on 1 April 2011. He is the chairman of both the audit committee and the remuneration committee, a member of both the nomination committee and the risk control committee of the Company. Mr. Kwan was previously the president and chief operating officer for the Asia Pacific region of Merrill Lynch & Co. Inc.. Mr. Kwan has become a non-executive director of China Properties Group Limited since 1 February 2007 and was a non-executive director of JF Household Furnishings Limited from 8 March 2005 to 16 August 2011, both companies being listed on the Main Board of the Stock Exchange of Hong Kong Limited ("the Stock Exchange"). He is an independent non-executive director for several listed companies in Hong Kong, namely Hutchison Harbour Ring Limited, Win Hanverky Holdings Limited, Greenland Hong Kong Holdings Limited (formerly known as SPG Land (Holdings) Limited) and Sunlight Real Estate Investment Trust (which are all listed on the Main Board of the Stock Exchange). He is also an independent non-executive director of Galaxy Resources Limited, a company listed on the Australian Stock Exchange, with effect from 13 October 2010. Mr. Kwan was appointed as an independent non-executive director of Soundwill Holdings Limited, a company listed on the Main Board of the Stock Exchange, on 30 September 2004 and had resigned on 7 January 2011. Mr. Kwan was an independent non-executive director of Hutchison Telecommunications International Limited, a company previously listed on the Main Board of the Stock Exchange which had withdrawn from listing with effect from 25 May 2010. Further, Mr. Kwan was a director of Yaohan International Holdings Limited, a company previously listed on the main board which is pending liquidation. Mr. Kwan graduated from the University of Singapore in 1973 with a degree in Accountancy and completed the Stanford Executive Program in 1992. Mr. Kwan qualified as a Chartered Accountant in Australia in 1979 and has been a member of the Hong Kong Institute of Certified Public Accountants since 1982.

Biographies of Directors and Senior Management

Mr. Ching Kwok Ho, Samuel

Mr. Ching Kwok Ho, Samuel, aged 57, was appointed as an independent non-executive director of the Company on 1 May 2006 and is a member of the audit committee of the Company. Mr. Ching is a practising solicitor in Hong Kong and is currently a partner in King & Company in Hong Kong. Mr. Ching has over 28 years of legal experience in banking and finance, liquidation, tenancy, conveyancing and commercial disputes and civil litigation in Hong Kong. Mr. Ching graduated from the University of Hong Kong with a degree in Bachelor of Laws and a Postgraduate Certificate in Laws.

Mr. Yen Yuen Ho, Tony

Mr. Yen Yuen Ho, Tony, aged 66, was appointed as an independent non-executive director of the Company on 6 April 2011. He is a member of both the audit committee and the remuneration committee, and the chairman of the nomination committee of the Company. Mr. Yen is a solicitor of Hong Kong and the United Kingdom. He is also a barrister and solicitor of Australia. Mr. Yen is a retired senior civil servant. From April 1994 to March 2007, he was the law draftsman of the Department of Justice, where he was responsible for the drafting of all the legislation of Hong Kong. He was also a member of the Government's Law Reform Commission. Currently, Mr. Yen is an adjunct professor at the City University of Hong Kong and a court member of the Hong Kong University of Science and Technology. He is the director of two secondary schools, the vice chairman of the Neighbourhood Advice Action Council and a member of Heep Hong Society's Executive Council. Mr. Yen is also an independent non-executive director of Jinchuan Group International Resources Company Limited, a company listed on the main board of the Stock Exchange, with effect from 5 August 2010. He is an honorary adviser to the Pok Oi Hospital, an honorary legal adviser to the Shanghai Fraternity Association and to the Friends of Scouting, Scout Association of Hong Kong. He also serves as a member to the Hong Kong Law Society's Mainland Legal Affairs Committee and as a director of the Hong Kong Institute for Public Administration. In April 2009, Mr. Yen was appointed by the Hong Kong SAR Government as the vice chairman of the Social Welfare Lump Sum Grant Independent Complaints Handling Committee.

Biographies of Directors and Senior Management

Mr. Shi Dinghuan

Mr. Shi Dinghuan, aged 70, was appointed as an independent non-executive director of the Company on 10 June 2013. Mr. Shi is a Counselor of the State Council of the PRC, the chairman of China Renewable Energy Society, deputy president of China Industry-University-Research Institute Collaboration Association and a party member of the Communist Party of the PRC. Mr. Shi had worked in the Nuclear Energy Technology Institute of Tsinghua University since November 1973. In October 1980, he joined the State Science and Technology Commission (the Former of Ministry of Science and Technology ("MOST")). He once served as the deputy division chief of the Forecasting Bureau of the PRC, deputy director of the Industrial Technology Bureau of the PRC, director of the Department of Industrial Science and Technology of the PRC. He was then promoted as the deputy director-general of the High and New Technology Department and Industrial Department (directorate grade) (科學技術部高新技術發展及產業化司副司長(正司級) of the PRC. In June 1988, he also acted as a director of the "Torch Programme (國家火炬計劃)" office. He took the office of the secretary general of MOST in August 2001, he moved to the position of the Communist Party Committee Director in November the same year. Since June 2003, he has been a member of the Mid-and-Long-Term Project Planning Office for National Science and Technology Development (國家中長期科學技術發展規劃領導小組) and the leader of the Strategic Research Group (戰略組組長). In March 2004, Mr. Shi was appointed as the Counselor of the State Council of the PRC. Mr. Shi has taken part in the implementation of the Seventh Five-Year-Plan of national economy and the Plan of Technology Development 2000. Mr. Shi has also contributed to the formulation of technology programmes and the implementation of key technology projects in hi-tech areas for the Eighth and Ninth Five-Year-Plans. He has been taking part in various hi-tech industrialization programmes, such as High & New Technology Industries Development Zones (國家高新區), enterprise incubation, Productivity Centers and technology and innovation engineering. Currently, Mr. Shi is an independent non-executive director of Guodian Technology & Environment Group Corporation Limited, the shares of which are listed on the main board of the Stock Exchange, with effect from June 2012. Mr. Shi graduated from the Engineering Physics Department, Tsinghua University in July 1967, majoring in radiation dosimetry and protection.

Biographies of Directors and Senior Management

Mr. Ma Kwong Wing

Mr. Ma Kwong Wing, aged 68, was appointed as an independent non-executive director of the Company on 1 September 2013. Mr. Ma served with Hang Seng Bank Limited ("Hang Seng Bank") for over 30 years in various business areas and functions (including compliance) prior to his retirement in October 2005. He was appointed as company secretary of Hang Seng Bank in 1988 and assistant general manager (while remaining as company secretary) in January 1993. Since 17 February 2006, Mr. Ma has been an independent non-executive director of Henderson Sunlight Asset Management Limited, the Manager of Sunlight REIT which is listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Ma is a Fellow of The Hong Kong Institute of Directors, the Association of Chartered Certified Accountants, The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. He is also a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, an associate member of The Chartered Institute of Bankers and The Hong Kong Institute of Bankers and a member of the Hong Kong Securities and Investment Institute.

Company Secretary

Ms. Qiu Ping, Maggie

(Please refer to "Non-Executive Directors – Ms. Qiu Ping, Maggie")

Chief Financial Officer

Mr. Li Hong

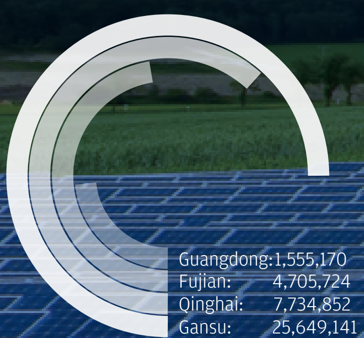
Mr. Li Hong, aged 41, joined the Group as the Financial Controller in February 2014, and was appointed as the Chief Financial Officer of the Company in April 2014. Prior to joining the Group, he worked in the finance department of Overseas Chinese Affairs Office of the State Council. He also served with the China Travel Service (Holdings) Hong Kong Limited and was in charge of finance department of its mainland subsidiaries, having over 15 years' managerial experience in large state-owned enterprises, industrial enterprise, as well as in tourism industry and media industry. Mr. Li graduated from the China Central University of Finance and Economics with a Bachelor's degree of Economics, majoring in Monetary Banking. Mr. Li also received an MBA degree from Murdoch University of Australia.

* *For identification purpose only*

Operation of On-Grid Solar Power Plants

As of 31 December 2013, our 4 solar power plants, located in Guangdong, Fujian, Gansu and Qinghai respectively, had a total installed capacity of 132.9MW. The sales of electricity of the four power plants were approximately 39,640,000KWh.

Sales of electricity of the four power plants in 2013 (KWh)



Report of Corporate Governance

Corporate Governance Practices

The Company is committed to maintaining high standards of corporate governance. The board of directors of the Company (the "Board") has adopted a number of corporate policies and standards to apply the principles of good governance to our everyday activities. In our daily operations, we respect the laws, rules and regulations of each country and region which are applicable to us, we strive to ensure for our people a healthy and safe working environment, and we endeavour to protect the interests of our Shareholders as a whole, with focus on the sustainable development of the Company.

Throughout the year ended 31 December 2013, the Company has applied the principles and complied with all the code provisions of the corporate governance code (the "CG Code") as set out in Appendix 14 to the Listing Rules, save for the following deviation.

Code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the period from 1 January 2013 to 10 June 2013, the Company did not have a chief executive officer and the executive board members collectively performed the responsibilities of the chief executive. During that period, Mr. Lam Ho Fai was an executive director of the Company, one of the executive board members taking the role as a chief executive, as well as the acting chairman heading the Board ("Chairman"). The Board believed that such an arrangement would not impair the balance of power and authority between the chairman and chief executive as the function of chief executive was collectively performed by all the executive board members and not only by the Chairman. On 11 June 2013, Mr. Li Alan, an executive director of the Company, was appointed as the chief executive officer of the Company (the "CEO") and the executive board members ceased to collectively take the role as chief executive. The responsibilities of the chairman and chief executive were divided, and the roles were separated and performed by different individuals. However, as a result of Mr. Lam Ho Fai's resignation as an executive director of the Company on 20 December 2013 and the subsequent appointment of Mr. Li Alan as Chairman on 7 January 2014, the roles of chairman and chief executive were combined again. The Board is of the view that the current structure will enable the Company to achieve its overall business goals more effectively and efficiently as the Company is in a rapid development phase for the time being. The Board believes that the balance of power and authority between chairman and chief executive will not be impaired by the present arrangement and the significant weight of the non-executive directors (including the independent ones) will enable the Board as a whole to effectively exercise its non-bias judgement.

Report of Corporate Governance

The Board believes that good corporate governance practices will contribute to the sustainable growth of the Company. The Board is collectively responsible for performing the corporate governance duties. During the year 2013, the Company had made further progress with its corporate governance practices including:

- Formalized the Company's corporate governance code, inside information policy and procedure, shareholders communication policy, model code for securities transactions by directors, and the board diversity policy;

- Adopted the Company's compliance manual to which every employee, officer and director of the Company should adhere with high moral, ethical and legal standards;

- Amended the terms of reference of the Nomination Committee to incorporate the Company's board diversity policy; and

- Established the Risk Control Committee and five meetings were held during the year 2013 to review and discuss the acquisitions of various solar power plant projects by the Company.

Directors' Securities Transactions

The Company has adopted a code for securities transactions by directors on terms no less exacting than the required standard of the model code as set out in Appendix 10 to the Listing Rules (the "Model Code").

Having made specific enquiry of all directors of the Company (the "Directors"), the Company confirmed that all the Directors have complied with the requirements set out in the Model Code and the Company's relevant code throughout the year ended 31 December 2013.

Board of Directors

Overall responsibility and delegation

The members of the Board are individually and collectively accountable for the success and sustainable development of the Company. The Board is responsible for the leadership and control of the Company, overseeing the Group's businesses and evaluating the performance of the Group. The Board focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Group, while the day-to-day operations of the Group are delegated to the executive board members, chief executive and senior management, who report back to the Board and obtain prior board approval before making decisions or entering into any commitments on the Company's behalf. These arrangements will be reviewed periodically to ensure that they remain appropriate to the Company's needs. All Directors have access to the management and are provided with full and timely information about the conduct of the business and operation of the Company. Upon request by the Board, independent professional advice would be made available to facilitate the decision-making by the Directors. A monthly report is sent to all Directors for updates of the significant progress the Company has made.

The Board has delegated certain functions to its audit committee, remuneration committee, nomination committee and risk control committee, the details of which are set out hereafter.

The Company has arranged directors and officers liability insurance for its Directors and officers.

Report of Corporate Governance

Composition of the Board

The Board is currently comprised of eleven Directors, including two executive Directors, four non-executive Directors, and five independent non-executive Directors. The Directors who served the Board during the year ended 31 December 2013 and up to the date of this annual report are as follows:

Executive Directors	
Mr. Lam Ho Fai *(Acting Chairman)*	resigned on 20 December 2013
Ms. Lin Xia Yang	resigned on 3 December 2013
Mr. Yiu Ka So	resigned on 20 December 2013
Mr. Li, Alan *(Chairman and CEO)*	appointed on 10 June 2013
Mr. Lu Zhenwei	appointed on 10 June 2013
Non-executive Directors	
Academician Yao Jiannian	
Mr. Chiang Chao-Juei	resigned on 1 August 2013
Mr. Yang Baiqian	appointed on 10 June 2013
Ms. Qiu Ping, Maggie	appointed on 10 June 2013
Mr. Wu Zhenmian	appointed on 1 August 2013
Independent Non-executive Directors	
Mr. Kwan Kai Cheong	
Mr. Ching Kwok Ho, Samuel	
Mr. Yen Yuen Ho, Tony	
Mr. Ip Shu Kwan, Stephen	resigned on 15 March 2013
Mr. Shi Dinghuan	appointed on 10 June 2013
Mr. Ma Kwong Wing	appointed on 1 September 2013

Each of the Directors' respective biographical details are set out in the "Biographies of directors and senior management" section of this annual report. The Board believes that its composition is well balanced with each Director having sound knowledge, skills, diversity of perspectives, and experience and/or expertise relevant to the business of the Group. To the best knowledge of the Board, there is no financial, business, family or other material/relevant relationship among members of the Board.

The list of Directors has been published on the website of the Company and the website of the Stock Exchange, and is disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

Report of Corporate Governance

Chairman and Chief Executive Officer

Mr. Lam Ho Fai, who resigned from his office on 20 December 2013, was an executive Director and the acting Chairman of the Board until his resignation. On 11 June 2013, Mr. Li Alan, executive Director of the Company, was appointed as the CEO and was later appointed as the Chairman of the Board on 7 January 2014. The Board is of the view that the current structure will enable the Company to achieve its overall business goals more effectively and efficiently as the Company is in a rapid development phase for the time being. The Board believes that the balance of power and authority between chairman and chief executive will not be impaired by the present arrangement and the significant weight of the non-executive Directors (including the independent ones) will enable the Board as a whole to effectively exercise its non-bias judgement.

Independent Non-executive Directors

The Board currently consists of eleven members, five of whom are independent non-executive Directors, representing more than one-third of the Board. Two of the independent non-executive Directors possess professional qualifications in accounting and related financial management expertise. The Company is in compliance with Rules 3.10(1) and (2), and 3.10A of the Listing Rules. During the period from 10 June 2013 to 31 August 2013, there were four independent non-executive Directors out of thirteen members of the Board, which was less than one-third of the Board. Upon the appointment of one additional independent non-executive Director on 1 September 2013, the number of independent non-executive Directors has been representing more than one-third of the Board in compliance with the Listing Rules. With five independent non-executive Directors, there is a strong independent element on the Board, which can effectively exercise independent judgement.

The Company has received from each of its independent non-executive Directors an annual written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules and are independent.

Appointment and Re-election of Directors

The Company follows a formal and considered procedure for the appointment of new directors. The nomination committee identifies suitably qualified individuals to the Board and makes recommendations on proposed appointments to complement the Company's corporate strategy. The recommendations of the nomination committee are then put to the full Board for decision. Any Director appointed to fill a casual vacancy shall hold office only until the next following general meeting after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Code provision A.4.2 of the CG Code provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

In accordance with the bye-laws of the Company (the "Bye-laws"), one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company and every Director shall be subject to retirement by rotation at least once every three years.

Report of Corporate Governance

All the non-executive Directors (including the independent non-executive Directors) are appointed for a specific term of one year subject to the retirement and reappointment provisions of the Bye-laws.

In a special general meeting held on 29 May 2013, Mr. Li, Alan, Mr. Lu Zhenwei, Mr. Yang Baiqian and Ms. Qiu Ping Maggie had been elected as Directors and their appointment took effect from 10 June 2013. In the annual general meeting held on 27 June 2013, Mr. Yiu Ka So, Academician Yao Jiannian, Mr. Kwan Kai Cheong, Mr. Yen Yuen Ho, Tony and Mr. Shi Dinghuan had been re-elected as Directors.

Directors' Induction and Continuous Professional Development

The Directors acknowledge the importance of keeping abreast of the business activities and development of the Company, updating their professional development, and refreshing their knowledge and skills.

Upon the appointment of Directors, an induction briefing and a Directors' manual are given to each of the newly appointed Directors. Such briefing and manual primarily introduce the laws, rules and regulations applicable to directors of listed companies to observe during their services, as well as the Company policies, codes, compliance manual, and the business and development of the Group.

In compliance with C.1.2 of the CG Code, all Directors are presented with updates on the Company's major events and business development in the form of a monthly report. In March 2014, the independent Directors visited one of the Company's solar power plants in Shenzhen China.

Directors are continuously updated with the regulatory and governance developments by attending seminars, forums and/or briefings. In addition, a number of reading materials, such as guidelines, newsletters, reports, interpretations issued by regulatory bodies or professional firms, are also provided to all Directors from time to time to refresh their knowledge about amendments to or revision of any applicable laws, rules, regulations, standards and policies of the country and region which the Group operates.

Directors are encouraged to participate in professional development courses and seminars to develop and refresh their knowledge and skills. The Company has devised a training form to assist the Directors to record their participation in the continuous professional development.

Report of Corporate Governance

A summary of records maintained by the Company indicating the Directors' participation in the continuous professional development during the year ended 31 December 2013 and up to the date of this report is as below:

	Attending briefings/ seminars	Reading materials/ regulatory updates/ monthly reports	Paying site visit
Executive Directors			
Mr. Lam Ho Fai *(resigned on 20 December 2013)*	√	√	
Ms. Lin Xia Yang *(resigned on 3 December 2013)*	√	√	
Mr. Yiu Ka So *(resigned on 20 December 2013)*	√	√	
Mr. Li, Alan *(appointed on 10 June 2013)*	√	√	√
Mr. Lu Zhenwei *(appointed on 10 June 2013)*	√	√	√
Non-executive Directors			
Academician Yao Jiannian	√	√	
Mr. Chiang Chao-Juei *(resigned on 1 August 2013)*	√	√	
Mr. Yang Baiqian *(appointed on 10 June 2013)*	√	√	√
Ms. Qiu Ping, Maggie *(appointed on 10 June 2013)*	√	√	√
Mr. Wu Zhenmian *(appointed on 1 August 2013)*	√	√	
Independent non-executive Directors			
Mr. Kwan Kai Cheong	√	√	√
Mr. Ching Kwok Ho, Samuel	√	√	√
Mr. Yen Yuen Ho, Tony	√	√	√
Mr. Ip Shu Kwan, Stephen *(resigned on 15 March 2013)*	√	√	
Mr. Shi Dinghuan *(appointed on 10 June 2013)*	√	√	√
Mr. Ma Kwong Wing *(appointed on 1 September 2013)*	√	√	√

Board meetings and attendance

The Board schedules at least four regular meetings a year and meets when required. During the year ended 31 December 2013, the Board held 22 meetings, 18 of which were full board meetings and 4 were executive board meetings. At least 14 days' formal notice of regular board meetings is given to all Directors while a notice of reasonable time is generally given for other board meetings, so that all Directors are given the opportunity to include matters for discussion in the agenda. With confirmation and approval by the Chairman, the agenda and board papers for each meeting are circulated to all Directors in advance. In addition, to facilitate the decision-making process, the Directors are free to have access to the management for enquiries and to obtain further information, when required. The Directors also seek independent professional advice in appropriate circumstances, at the Company's expenses, in order to make informed decisions and discharge their duties. The board and committee meeting minutes reflect the matters considered and decisions reached in appropriate details. All minutes are kept by the company secretary and available to all Directors for inspection. Copies of minutes are provided to all Directors. In addition to the board meetings, the Chairman also holds a meeting with the non-executive Directors without the presence of executive Directors on an annual basis.

Report of Corporate Governance

The attendance record of each Director at board meetings and general meetings in 2013 is set out below:

	Board meetings	General meetings
Number of meetings	22	4
Executive Directors		
Mr. Lam Ho Fai *(resigned on 20 December 2013)*	22/22	4/4
Ms. Lin Xia Yang *(resigned on 3 December 2013)*	19/20 (Note 1)	3/4
Mr. Yiu Ka So *(resigned on 20 December 2013)*	21/22	4/4
Mr. Li, Alan *(appointed on 10 June 2013)*	15/16	1/3
Mr. Lu Zhenwei *(appointed on 10 June 2013)*	12/16 (Note 2)	0/3
Non-executive Directors		
Academician Yao Jiannian	12/18	0/4
Mr. Chiang Chao-Juei *(resigned on 1 August 2013)*	2/7	0/2
Mr. Yang Baiqian *(appointed on 10 June 2013)*	12/15 (Note 3)	0/3
Ms. Qiu Ping, Maggie *(appointed on 10 June 2013)*	14/15	3/3
Mr. Wu Zhenmian *(appointed on 1 August 2013)*	7/11 (Note 4)	0/2
Independent non-executive Directors		
Mr. Kwan Kai Cheong	18/18	3/4
Mr. Ching Kwok Ho, Samuel	12/18	0/4
Mr. Yen Yuen Ho, Tony	17/18	2/4
Mr. Ip Shu Kwan, Stephen *(resigned on 15 March 2013)*	–	–
Mr. Shi Dinghuan *(appointed on 10 June 2013)*	1/15	0/3
Mr. Ma Kwong Wing *(appointed on 1 September 2013)*	9/9	1/2

Notes: (1) one time by her proxy
(2) three times by his proxy
(3) one time by his proxy
(4) one time by his proxy

Board Committees

Audit Committee

The Board has established its audit committee since 14 March 2000. Currently it consists of four members, including three independent non-executive Directors, namely Mr. Kwan Kai Cheong, Mr. Ching Kwok Ho, Samuel and Mr. Yen Yuen Ho, Tony, and one non-executive Director, namely Mr. Yang Baiqian. The audit committee is chaired by Mr. Kwan Kai Cheong who is an independent non-executive Director having the relevant professional qualification and expertise in financial reporting matters.

Report of Corporate Governance

The audit committee is responsible for making recommendation to the Board on the appointment and re-appointment of external auditor, and to approve the remuneration and terms of engagement of the external auditor. It is empowered to review and monitor the external auditor's independence and objectivity and effectiveness of the audit process in accordance with applicable standards. It reviews, makes recommendations and report to the Board on findings relating to the financial statements, reports and accounts, financial reporting system and internal control procedures and compliance issues.

The details of authority, role and responsibilities of the committee are set out in written terms of reference which are available on the Company's website (http://www.unitedpvgroup.com) and the Stock Exchange's website. The committee reviews its terms of reference at least once a year to ensure they remain in line with the requirements of the Listing Rules. Amendments to the terms of reference are submitted to the Board for approval and adoption.

During the year ended 31 December 2013, the committee held two meetings to discuss the nature and scope of the audit and reporting obligations to review the unaudited interim financial statements and the audited annual financial statements and make recommendations to the Board for approval, and to assess the effectiveness of the internal control scheme of the Group.

The Company Secretary acts as secretary to the committee. An agenda and accompanying committee papers are sent to the committee members at least three days prior to each meeting. Sufficient resources are made available to the committee when required. The secretary prepares full minutes of the audit committee meetings with details of the matters considered by the committee members. The draft minutes are sent to all committee members for comment and approval after each meeting and the final version of the minutes is sent to the committee members for their records within a reasonable time after the meeting. The chairman of the committee summarizes the activities of the committee and highlights issues arising and reports to the Board after each audit committee meeting.

The composition of the audit committee during the year ended 31 December 2013 and the meeting attendance are as follows:

Members	Attendance/ Number of Meetings
Independent Non-executive Directors	
Mr. Kwan Kai Cheong *(chairman)*	2/2
Mr. Ching Kwok Ho, Samuel	2/2
Mr. Ip Shu Kwan, Stephen *(resigned)* (Note 1)	–
Mr. Yen Yuen Ho, Tony (Note 2)	2/2
Non-executive Directors	
Mr. Yang Baiqian (Note 3)	1/1

Note: (1) resigned on 15 March 2013
(2) appointed as a member of audit committee on 15 March 2013
(3) appointed as a member of audit committee on 23 July 2013

Report of Corporate Governance

Remuneration Committee

The Board established a remuneration committee on 28 September 2005. Currently it consists of three members, including two independent non-executive Directors, namely Mr. Kwan Kai Cheong and Mr. Yen Yuen Ho, Tony, and one non-executive Director Mr. Yang Baiqian. Mr. Kwan Kai Cheong is the chairman of the remuneration committee.

The principal responsibilities of the remuneration committee include making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration by reference to corporate goals and objectives resolved by the Board from time to time, approving the terms of executive Directors' service contracts and making recommendations to the board on the remuneration packages of individual executive Directors and senior management.

The details of authority, role and responsibilities of the committee are set out in written terms of reference which are available on the Company's website (http://www.unitedpvgroup.com) and the Stock Exchange's website. The committee reviews its terms of reference at least once a year to ensure they remain in line with the requirements of the Listing Rules. Amendments to the terms of reference are submitted to the Board for approval and adoption.

During the year ended 31 December 2013, the remuneration committee held two meetings to review the existing remuneration packages of the Directors and senior management of the Company, and to recommend to the Board the salaries and bonuses of the Directors and senior management and discuss the remuneration package of the newly appointed Directors and senior management.

The Company Secretary acts as secretary to the committee. An agenda and accompanying committee papers are sent to the committee members at a reasonable time prior to each meeting. Sufficient resources are made available to the committee when required. The secretary prepares full minutes of the remuneration committee meetings with details of the matters considered by the committee members. The draft minutes are sent to all committee members for comment and approval after each meeting and the final version of the minutes is sent to the committee members for their records after the meeting. The chairman of the committee summarizes the activities of the committee and highlights issues arising and reports to the Board after each remuneration committee meeting.

Report of Corporate Governance

The composition of the remuneration committee during the year ended 31 December 2013 and the meeting attendance are as follows:

Members	Attendance/ Number of Meetings
Independent Non-executive Directors	
Mr. Kwan Kai Cheong *(chairman)*	2/2
Mr. Ip Shu Kwan, Stephen *(resigned)* (Note 1)	–
Mr. Yen Yuen Ho, Tony (Note 2)	2/2
Non-executive Directors	
Mr. Yang Baiqian (Note 3)	1/1
Executive Directors	
Mr. Yiu Ka So *(resigned)* (Note 4)	1/1

Notes: (1) resigned on 15 March 2013
(2) appointed as a member of remuneration committee on 15 March 2013
(3) appointed as a member of remuneration committee on 23 July 2013
(4) resigned as a member of remuneration committee on 23 July 2013

Remuneration payable to senior management other than Directors for the year 2013

Details of the emoluments payable to the members of the senior management other than Directors by band for the year ended 31 December 2013 are set out below:

	Number of individuals	
	2013	2012
Emolument bands (in HK dollar)		
HK$500,000 to HK$1,000,000	**–**	2
HK$1,000,001 to HK$1,500,000	**–**	–
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**1**	–
HK$3,000,001 to HK$3,500,000	**1**	–

Further particulars regarding Directors' emoluments and the five highest paid individuals as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 9(b) and 9(c) to the financial statements.

Report of Corporate Governance

Nomination Committee

The Company's nomination committee was established on 23 March 2012 and currently has three members, including two independent non-executive Directors, namely Mr. Kwan Kai Cheong and Mr. Yen Yuen Ho, Tony, and one executive Director, Mr. Li Alan. Mr. Yen Yuen Ho, Tony is the chairman of the committee.

The nomination committee is authorised to formulate nomination polity for the Board's consideration and implement the nomination procedures and the process and criteria adopted to select and recommend candidates for directorship. In reviewing the Board composition, the committee shall give adequate consideration to the Company's policy on board diversity. While selecting candidates for directorship, the committee has taken into account of a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience, skills and knowledge. The committee believes that the current composition of the Board is balanced and diversified with the high-calibre members from different cultural backgrounds and possessing professional expertise of various industries, which indicates that the diversity policy has been well implemented.

The main responsibilities of the nomination committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least once a year and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, and identify individuals suitably qualified to become Directors and select, or make recommendations to the Board on the selection of individuals nominated for directorships and senior management, the appointment or re-appointment of Directors and succession planning for Directors. The committee is also responsible for assessing the independence of independent non-executive Directors.

The details of authority, role and responsibilities of the committee are set out in written terms of reference which are available on the Company's website (http://www.unitedpvgroup.com) and the Stock Exchange's website. The committee reviews its terms of reference at least once a year to ensure they remain in line with the requirements of the Listing Rules. Amendments to the terms of reference are submitted to the Board for approval and adoption. The latest amendment to the terms of reference of the nomination committee was made on 30 August 2013, in order to incorporate the Company's policy with respect to the diversity of the Board.

During the year ended 31 December 2013, the nomination committee held two meetings to review the existing members of the Board, and to recommend on the selection of individuals nominated for member of the Board and senior management.

The Company Secretary acts as secretary to the committee. An agenda and accompanying committee papers are sent to the committee members at least three days prior to each meeting. Sufficient resources are made available to the committee when required. The secretary prepares full minutes of the nomination committee meetings with details of the matters considered by the committee members. The draft minutes are sent to all committee members for comment and approval after each meeting and the final version of the minutes is sent to the committee members for their records within a reasonable time after the meeting. The chairman of the committee summarizes the activities of the committee and highlights issues arising and reports to the Board after each nomination committee meeting.

Report of Corporate Governance

The composition of the nomination committee during the year ended 31 December 2013 and the meeting attendance are as follows:

Members	Attendance/ Number of Meetings
Independent Non-executive Directors	
Mr. Yen Yuen Ho, Tony *(chairman)* (Note 1)	2/2
Mr. Kwan Kai Cheong	2/2
Executive Directors	
Mr. Lam Ho Fai *(resigned)* (Note 2)	1/1
Mr. Li, Alan (Note 3)	1/1

Notes: (1) appointed as chairman of nomination committee on 23 July 2013

(2) resigned as a member of nomination committee on 23 July 2013

(3) appointed as a member of nomination committee on 23 July 2013

Risk Control Committee

The risk control committee of the Company was set up on 23 July 2013 and currently has four members, including one independent non-executive Director Mr. Kwan Kai Cheong, one non-executive Director Mr. Yang Baiqian and two executive Directors, Mr. Li Alan and Mr. Lu Zhenwei. The committee is chaired by Mr. Yang Baiqian.

The aim of the risk control committee is to strengthen the risk analysis, judgement and decision making of the Board. The main responsibilities of the risk control committee are to review significant investment projects, to assess the internal control and to conduct risk assessment on the material operation and financial matters of the Company.

The details of authority, role and responsibilities of the committee are set out in written terms of reference which are available on the Company's website (http://www.unitedpvgroup.com) and the Stock Exchange's website.

During the year ended 31 December 2013, the risk control committee held five meetings to conduct risk assessment on the following acquisitions and recommend to the Board for consideration and approval:

(i) The transaction to acquire two solar power plants located in Fengxian, Jiangsu with total installed capacity of 23.8MW;

(ii) The transaction to acquire three solar power plants located in Gonghe, Qinghai with total installed capacity of 180MW; and

(iii) The transaction to acquire four solar power plants located in Inner Mongolia with total installed capacity of 195MW.

Report of Corporate Governance

The Company Secretary acts as secretary to the committee. An agenda and accompanying committee papers are sent to the committee members at least three days prior to each meeting. Sufficient resources are made available to the committee when required. The secretary prepares full minutes of the risk control meetings with details of the matters considered by the committee members. The draft minutes are sent to all committee members for comment and approval after each meeting and the final version of the minutes is sent to the committee members for their records within a reasonable time after the meeting. The chairman of the committee summarizes the activities of the committee and highlights issues arising and reports to the Board after each risk control committee meeting. The composition of the risk control committee during the year ended 31 December 2013 and the meeting attendance are as follows:

Members	Attendance/ Number of Meetings
Independent Non-executive Directors	
Mr. Kwan Kai Cheong	5/5
Non-executive Directors	
Mr. Yang Baiqian *(chairman)*	5/5
Executive Directors	
Mr. Li, Alan	5/5
Mr. Lu Zhenwei	4/5
Mr. Yiu Ka So *(resigned)* (Note 1)	5/5

Note: (1) resigned on 20 December 2013

Auditors' Remuneration

During the year, the remuneration paid or payable to PricewaterhouseCoopers for services rendered is summarized as below:

	2013 HK$'000	2012 HK$'000
Audit services	**2,500**	1,450
Non-audit services	**5,213**	2,032
Total	**7,713**	3,482

The non-audit services mainly comprises of tax compliance, and services in connection with acquisitions of China Solar Power Group Limited and other solar power plants by the Group.

Directors' Responsibility for the Financial Statements

The Board is accountable to the Shareholders and responsible for the preparation of the financial statements of the Group. The Board recognises the importance of integrity of financial information. The Directors endeavour to present to Shareholders a balanced and understandable assessment of the performance, position and prospects of the Group.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The accounting policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving high degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the note 4 to the financial statements.

The Board acknowledges its responsibility for preparing the financial statements that give a true and fair view of the Group's affairs and of its results and cash flows. The management has provided such explanation and information to the Board as necessary to enable the Directors to assess the financial information and position of the Group.

As set out in the Note 2.1.1 of the consolidated financial statements, which states that the Group's current liabilities exceeded its current assets by HK$1,001 million as at 31 December 2013, and it had incurred a net loss of HK$2,305 million for the year then ended. In addition, the Group had entered into a conditional sale and purchase agreement on 8 January 2014 to acquire a subsidiary and in that connection the Group will upon closing of the acquisition need to assume the then liabilities of the subsidiary, which amounted to approximately HK$2.4 billion as at 31 December 2013. On 27 March 2014 and 28 March 2014, the Group completed the acquisition of two subsidiaries and assumed the then liabilities of these subsidiaries, which amounted to approximately HK$1.16 billion. These conditions, along with other matters as described in Note 2.1.1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

Notwithstanding the conditions described above, the consolidated financial statements have been prepared on the assumption that the Group will be able to operate as a going concern for the foreseeable future. In the opinion of the Board, the Group, as detailed in Note 2.1.1, can meet its financial obligations as and when they fall due in the coming year, after taking into consideration those measures and arrangements made subsequent to the reporting date as detailed in Note 2.1.1.

In light of the measures implemented to date, the Board is of the view that the Group has sufficient cash resources to satisfy their working capital and other financial obligations for the next twelve months from the date of approval of these financial statements after having taken into account the Group's projected cash flows, current financial resources and capital expenditure requirements. Accordingly, the Board is of the view that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Report of Corporate Governance

Internal Control

Code provision C.2.1 of the CG Code provides that the Directors should at least annually conduct a review of the effectiveness of the Group's internal control system. Code provision C.2.2 provides that the Board's annual review should, in particular, consider the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function.

The Board recognises that it has the overall responsibility to establish and maintain a sound and effective system of internal control, review its effectiveness, and set appropriate policies to ensure the smooth running of operations, safeguard the Group's assets and the Shareholders' interests as well as to ensure the reliability of financial statements in compliance with applicable laws and regulations. During the year under review, the Board has conducted a review of the effectiveness of the system of internal control of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management functions.

In meeting its responsibility, the Board seeks to increase risk awareness across the Group's business operations and has put in place policies and procedures. During the year under review, the Company established the risk control committee to access, monitor and control the risks to be incurred in acquisition activities. The risk control committee is an essential part of corporate governance to help in sustaining the Group's business success. It assists the Board to manage the key risks in discharging its corporate governance responsibilities.

The effectiveness of the system of internal controls and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function and their training programmes and budget will be reviewed annually.

Company Secretary

Ms. Qiu, Ping Maggie ("Ms. Qiu"), a non-executive Director, was appointed as the company secretary of the Company on 10 August 2013. Ms. Qiu has day-to-day knowledge of the Company's business. Ms. Qiu reports to the Chairman and CEO. The biographical details of Ms. Qiu are set out under the section headed "Biographies of directors and senior management" section of this annual report. During the year 2013, Ms. Qiu has taken not less than 15 hours of relevant professional trainings according to Rule 3.29 of the Listing Rules.

Shareholders' Rights and Investor Relations

The Board adopted a shareholders communication policy on 26 March 2013 in order to provide its Shareholders timely and understandable information, and allowing Shareholders to engage actively with the Company. Information would be communicated to Shareholders mainly through the Company's corporate communications including interim and annual reports, announcements and circulars. These publications are sent to the Shareholders in a timely manner and are also available on the website of the Company (http://www.unitedpvgroup.com).

Report of Corporate Governance

The Board is dedicated to maintain an on-going dialogue with Shareholders. Shareholders are encouraged to participate in general meetings or appoint proxies to attend and vote at general meetings for and on behalf of them if they are unable to attend in person.

Shareholders may directly enquire about their shareholdings to the Company's share registrar. To the extent the requisite information of the Company is publicly available, Shareholders and the investment community may at any time make enquiry in respect of the Company in writing at our head office in Hong Kong by post, facsimile or email via the numbers and email address provided on the Company's website (http://www.unitedpvgroup.com).

During the year 2013, there are no significant changes in the Company's constitutional documents.

Procedures for Shareholders to convene special general meeting ("SGM") and/or to put forward proposals at Shareholders' meetings

The following procedures are subject to the Bye-laws and applicable legislation and regulation:

Pursuant to Section 58 of the Bye-laws, Shareholders holding at the date of deposit of requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. Such written requisition must be duly signed by the shareholders concerned and to be verified by the Company's share registrar. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

To request to convene an SGM, the requisitionists shall deposit their requisition in writing, together with the proposals to be considered at such meeting, at the principal place of business of the Company in Hong Kong as announced by the Company from time to time and for the attention of the Chairman of the Board and the Company Secretary. The requisition will be verified with the Company's share registrars. If it is in order, the Company Secretary will pass the requisition to the Board for consideration and an SGM will be convened by sufficient notice to all the registered Shareholders in accordance with the requirements under the Bye-laws. On the contrary, if the requisition is invalid, no SGM will be convened and the requisitionists will be advised of this outcome.

To put forward proposals at a Shareholders' meeting of the Company, a Shareholder should lodge a written request setting out the proposals duly signed by the Shareholder concerned at the principal place of business of the Company in Hong Kong as announced by the Company from time to time and for the attention of the Chairman of the Board and the Company Secretary. The request will be verified with the Company's share registrars. If it is in order, the Company Secretary will pass the request to the Board for consideration. The Board will decide whether it is valid and appropriate to put such proposals at a Shareholders' meeting.

Report of Corporate Governance

Pursuant to Section 85 of the Bye-laws, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a written notice signed by a Shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office (as defined in the Bye-laws) provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgement of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

Accordingly, to nominate a person for election as a Director, a Shareholder shall lodge a written notice duly signed by the Shareholder concerned at the principal place of business of the Company in Hong Kong as announced by the Company from time to time and for the attention of the Company Secretary. In order for the Company to inform all Shareholders of that proposal, the written notice must include the following information: (i) the full name of the person proposed for election as a Director; (ii) his/her biographical details as required under Rule 13.51(2) of the Listing Rules; and (iii) the candidate's written confirmation on his/her willingness to be elected as a Director and written consent to the publication of his/her personal data as required by the Listing Rules. The notice will be verified with the Company's share registrars. If it is in order, the Company Secretary will pass the notice to the Company's nomination committee for examination. The nomination committee will assess the suitability of the candidate proposed by the Shareholder and make recommendations to the Board on the selection of individuals nominated for directorship if it thinks fit and appropriate. If such notice is received by the Company after publication of the notice of the Shareholders' meeting concerned, the Company will publish an announcement or issue a supplementary circular setting out the particulars of the proposed Director and may need to adjourn the Shareholders' meeting as and when required by the Bye-laws.

We have posted on our Company's website (http://www.unitedpvgroup.com) the procedures for Shareholders to convene and put forward proposals at general meetings including proposing a person for election as a Director, and to vote by poll at general meetings.

Shareholders who have enquiries about the above procedures may write to the Company Secretary for clarification at the principal place of business of the Company in Hong Kong as announced by the Company from time to time.

Investor Relations

After the Company completed the acquisition of CSPG on June 10, 2013, CMNEG became the largest shareholder of the Company. Since then, the Company has gradually developed a scientific and systematic investor relations (IR) management mechanism through continuous exploration, research and development, which has become an effective communication bridge linking the Company with capital markets. By attentively listening to opinions and suggestions from the capital markets regarding the Company's operational management with a proactive, sincere and pragmatic attitude, the Company has continuously optimized and improved its operational management in order to enhance and maximize shareholder value.

Improving IR management system

The Company has been committed to establishing and improving a scientific and systematic IR management system. At the beginning of each year, the Company develops a year plan on IR works and reviews the plan's progress on a quarterly basis to ensure the process. The Company also listens to voices of the capital markets and updates the IR plan in a timely manner in order to adapt the plan with capital market requirements. Since CMNEG became the largest shareholder of the Company, the Company has actively established IR team and optimized workflows, including for press conferences, non-deal roadshows and disclosure of material information, etc. The Company has also standardized its investor information database through IR website and internal information management system, and also standardized and systematized key IR works such as arranging investor meetings, collecting and collating investor information and publishing investors' shareholding surveys. The new IR page is available in the Company's new website http://www.unitedpvgroup.com, the new website has been launched at March 2014.

Diversified, multi-channel IR activities

Through diversified investor communication channels including analyst luncheons, non-deal roadshows, investor forums organized by investment banks, industry meetings, conference calls, emails, investor site visits and company website, the Company has promoted its development strategy, the latest developments and performance to the capital markets in a timely manner. Meanwhile, according to the needs and characteristics of analysts and investors, the Company showed flexibility and initiatived in arranging senior managers to participate in various IR activities. Since 2013, the Chairman, Chief Investment Officer, Chief Information Officer and other senior executives of the Group have participated in a large number of investor activities in the US, the PRC and Hong Kong to communicate with the capital markets. This strategy has achieved remarkable results, having met with hundreds of investors and analysts. Meanwhile, the PV industry invited the Company to attend industry forums as an industry leader to share the Company's successful experience and industry trends.

Thanks to all types of investor activities held in 2013, investors were afforded in-depth engagement with the Company's management, and discussed in great details of the situation and problems facing by the photovoltaic industry as well as the latest updates on the Company's business and project acquisitions. By sharing a wealth of industry experience and providing detailed reports on business progress, the management enhanced investors' confidence in the photovoltaic industry and the Company's business. The management also laid a solid foundation for mutual communication and interaction between the Company and investors.

In 2013, the Company organized reverse roadshows for two groups of investors and analysts to the Group's Qianhai distributed PV on-grid power generation demonstration project in Shenzhen to deepen their understanding of the Group's business.

Investor Relations

List of 2013 Investor Events

Date	Event	Place
June 2013	Standard Chartered Bank Earth Resources Conference	Hong Kong
August 2013	Deutsche Bank AG Corporate Day	Hong Kong
September 2013	Rodman & Renshaw Annual Global Investment Conference	New York, USA
October 2013	Standard Chartered Bank Technology and Clean Energy Conference	Hong Kong
October 2013	Analysts Luncheon	Hong Kong
October 2013	Annual Awards Ceremony 2013 on PV Power Plants & Major Business Meeting of investments in PV Power Plant projects	Beijing
October 2013	Bloomberg Shanghai New Energy Leadership forum	Shanghai
October 2013	The 5th Chinese International Renewable Energy Conference & Exhibition	Wuxi
November 2013	CIMB Corporate Day	Hong Kong
December 2013	CICC Investment Forum	Beijing
December 2013	SG Securities (HK) 2014 Annual Investment Strategic Conference	Shanghai
December 2013	Fubon Securities Investor Meetings	Taipei
December 2013	CM Securities Investment Strategic Conference	Shenzhen
December 2013	CITIC Securities 2014 Annual Conference	Sanya
December 2013	Sanya International Financial Forum	Sanya
December 2013	Analysts Luncheon	Hong Kong
December 2013	China PV Plants Trading and Financial Summit & the 4th Solarzoom Annual Meeting	Shanghai

Directors' Report

The directors of the Company (the "Directors" or the "Board") present their report together with the audited consolidated financial statements of United Photovoltaics Group Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2013.

Principal Activities

Currently, there are two business units within the Group: one engaged in the development, investment, operation and management of solar power plants, while the other focusing on manufacturing and sale of solar silicon cells and solar modules. The Company is an investment holding company and operates its businesses through its subsidiaries. The particulars of its principal subsidiaries are set out in note 18 to the consolidated financial statements.

Results and Dividends

The results of the Group for the year ended 31 December 2013 and the state of affairs of the Company and the Group as at that date are set out in the consolidated financial statements on pages 80 to 87.

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2013. (Year ended 31 December 2012: Nil).

Financial Summary

A summary of the consolidated results and of the assets and liabilities of the Group for each of the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 7 of this annual report. This summary does not form part of the consolidated financial statements for the year ended 31 December 2013.

Share Capital

Details of the share capital of the Company and its movements during the year are set out in note 24 to the consolidated financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

Purchase, Redemption or Sale of Listed Securities of the Company

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Directors' Report

Distributable Reserves of the Company

As of 31 December 2013, the Company had no reserve (31 December 2012: nil) available for distribution as computed in accordance with the Companies Act 1981 of Bermuda. However, the Company's share premium account in the amount of approximately HK$3,810,276,000 (31 December 2012: HK$528,682,000) may be distributed in the form of fully paid bonus shares.

Reserves

Details of the movements in reserves of the Company and of the Group during the year are set out in note 25 to the consolidated financial statements and the consolidated statements of changes in equity respectively.

Donation

During the year, the Group had made donations of approximately HK$19,000 (2012: nil).

Land Use Rights, Property, Plant and Equipment and Investment Property

As of 31 December 2013, the Group's investment properties were valued at a total of approximately HK$48,485,000 (31 December 2012: HK$5,901,000).

Details of the above and other movements in land use rights, property, plant and equipment and investment properties of the Group are set out in notes 14, 15 and 16 to the consolidated financial statements respectively.

Intangible Assets

Details of the Group's intangible assets are set out in note 17 to the consolidated financial statements.

Major Customers and Suppliers

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for less than 45% and 93% respectively (2012: less than 21% and 57% respectively) of the Group's total revenue for the year under review.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for less than 38% and 78% respectively (2012: less than 19% and 56% respectively), of the Group's total purchases for the year under review.

None of the Directors or any of their associate(s) or any substantial Shareholder of the Company (which to the best knowledge of the Directors, owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

Interest Bearing Bank Loans and Other Borrowings

Particulars of interest bearing bank loans and other borrowings of the Company and the Group as at 31 December 2013 are set out in note 30 to the consolidated financial statements.

Directors' Report

Directors

The Directors during the year and up to the date of this annual report are as follows:

Executive Directors

Mr. Lam Ho Fai *(Acting Chairman)*	*resigned on 20 December 2013*
Ms. Lin Xia Yang	*resigned on 3 December 2013*
Mr. Yiu Ka So	*resigned on 20 December 2013*
Mr. Li Alan *(Chairman and CEO)*	*appointed on 10 June 2013*
Mr. Lu Zhenwei	*appointed on 10 June 2013*

Non-executive Directors

Academician Yao Jiannian	
Mr. Chiang Chao-Juei	*resigned on 1 August 2013*
Mr. Yang Baiqian	*appointed on 10 June 2013*
Ms. Qiu Ping Maggie	*appointed on 10 June 2013*
Mr. Wu Zhenmian	*appointed on 1 August 2013*

Independent non-executive Directors

Mr. Kwan Kai Cheong	
Mr. Ching Kwok Ho, Samuel	
Mr. Yen Yuen Ho, Tony	
Mr. Ip Shu Kwan, Stephen	*resigned on 15 March 2013*
Mr. Shi Dinghuan	*appointed on 10 June 2013*
Mr. Ma Kwong Wing	*appointed on 1 September 2013*

In accordance with Section 83(2) of the bye-laws of the Company (the "Bye-laws"), Mr. Wu Zhenmian and Mr. Ma Kwong Wing, being Directors appointed by the Board on 1 August 2013 and 1 September 2013 respectively, shall hold office until the forthcoming annual general meeting of the Company in 2014 (the "AGM") and shall be eligible for re-election at the AGM. In accordance with Section 84 of the Bye-laws, Mr. Ching Kwok Ho, Samuel, Ms. Qiu Ping, Maggie, Mr. Yang Baiqian and Mr. Lu Zhenwei, being one-third of the Directors, shall retire from office by rotation and be eligible for re-election at the AGM.

None of the Directors proposed for re-election at the AGM has entered into any service contracts with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has assessed their independence and considers that all of the independent non-executive Directors are independent in accordance with guidelines set out in the Listing Rules.

Directors' Report

Directors' and Senior Management's Biographies

Biographies of Directors and senior management of the Group are set out on pages 30 to 35 of the annual report.

Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries, its holding company, or any subsidiary of its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' and Chief Executives' Interests in Shares, Underlying Shares and Debentures

As of 31 December 2013, the interests of the Directors, the chief executive and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Listing Rules, were as follows:

Long Positions

(a) Ordinary shares of HK$0.10 each in the Company

Name of directors	Number of underlying shares of the Company				Percentage of issued share capital of the Company as of 31 December 2013
	Personal interests	Notes	Corporate interests	Notes	
Mr. Li, Alan	2,001,000	1	467,538,250	3	13.54%
Ms. Qiu Ping, Maggie	800,400	2			0.02%

(b) Convertible debentures of the Company

Name of directors	Convertible debentures of the Company Conversion rights attached to convertible debentures (shares)				Percentage of issued share capital of the Company as of 31 December 2013
	Personal interests	Notes	Corporate interests	Notes	
Mr. Li, Alan	8,004,000	1	529,439,774	4, 5 & 6	15.49%
Ms. Qiu Ping, Maggie	3,201,600	2			0.09%

Directors' Report

Notes:

1. Mr. Li, Alan by undertaking to work for China Solar Power Group Limited ("CSPG"), a wholly-owned subsidiary of the Company, for a period of three years until 30 August 2015, is entitled to receive from a trustee company 2,001,000 shares of the Company and convertible bonds in the principle amount of HK$8,004,000 convertible into 8,004,000 shares.

2. Ms. Qiu Ping, Maggie by undertaking to work for CSPG for a period of three years until 30 August 2015, is entitled to receive from a trustee company 800,400 shares of the Company and convertible bonds the principle amount of HK$3,201,600 convertible into 3,201,600 shares.

3. The 467,538,250 shares of the Company are beneficially owned by China Merchants New Energy Group Limited ("CMNEG"), which is incorporated in British Virgin Islands. The issued share capital of CMNEG is 37% owned by Magicgrand Group Limited ("Magicgrand"), 9.44% by Pairing Venture Limited ("Pairing Venture") and 53.56% beneficially owned by China Merchants Group Limited ("CM Group").

   Mr. Li, Alan holds (i) 38.83% of the issued share capital of Magicgrand; and (ii) entire issued share capital of Pairing Venture, which holds 61.17% of the issued share capital of Magicgrand.

4. Convertible bonds in the Company in principal amount of HK$71,230,287 (with conversion price of HK$1.00 per share) are beneficially owned by Magicgrand, which is incorporated in British Virgin Islands. The issued share capital of Magicgrand is 38.83% owned by Mr. Li, Alan and 61.17% by Pairing Venture.

5. Convertible bonds of the Company in principal amount of HK$18,173,487 (with conversion price of HK$1.00 per share) are beneficially owned by Pairing Venture, which is incorporated in British Virgin Islands. The issued share capital of Pairing Venture is 100% owned by Mr. Li, Alan.

6. Convertible bonds issued by the Company in principal amount of HK$440,036,000 (with conversion price of HK$1.00 per share) are beneficially owned by CMNEG. The issued share capital of CMNEG is 37% owned by Magicgrand, 9.44% by Pairing Venture and 53.56% beneficially owned by CM Group.

(c) Share options of the Company

Name of directors	Number of share options held	Date of grant	Exercisable period	Exercise price per share (HK$)
Academician Yao Jiannian	500,000 500,000	6 April 2011	1 June 2011 to 31 May 2014 1 June 2012 to 31 May 2014	1.4340
Total	1,000,000			

Other than disclosed above, none of the Directors or the chief executive or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code in the Listing Rules as of 31 December 2013.

Directors' Report

Directors' Rights to Acquire Shares or Debt Securities

Save as disclosed under the heading "Directors' and chief executive's interests in shares, underlying shares and debentures" above and "Share option scheme" below, at no time during the year was the Company, its holding company, any of its subsidiaries or any of subsidiary of its holding company, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such right during the period under review.

Share Option Scheme

At the annual general meeting of the Company held on 19 June 2012, the Shareholders approved the adoption of a new share option scheme (the "New Scheme") and termination of the old share option scheme which was adopted on 10 September 2002 (the "Old Scheme"). Share options granted under the Old Scheme prior to its termination continued to be valid and exercisable pursuant to the terms of the Old Scheme. A summary of principal terms of the New Scheme is set out in note 24(f) to the consolidated financial statements.

During the year ended 31 December 2013 , no share options of the Company were granted under the New Scheme.

Details of the share options granted under the Old Scheme to directors of the Company and employees of the Group and movement in such holding during the period under review are as follows:

	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1 January 2013	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 31 December 2013
Directors	24.11.2009	24.11.2009 to 23.11.2019	0.6624	1,225,191	–	1,225,191	–	–
	6.4.2011	1.6.2011 to 31.5.2014	1.4340	1,400,000	–	500,000	400,000	500,000
	6.4.2011	1.6.2012 to 31.5.2014	1.4340	1,400,000	–	500,000	400,000	500,000
Total				4,025,191		2,225,191	800,000	1,000,000

Directors' Report

Employee Incentive Scheme

Prior to the acquisition of China Solar Power Group Limited ("CSPG") by the Group, an employee incentive scheme (the "EIS") was approved by CSPG to the effect that 25,000,000 ordinary shares of the CSPG with a par value of US$0.01 each were issued to Sino Arena. Sino Arena held 4.35% of the issued share capital of CSPG and it holds the shares for and on behalf of eligible persons who are granted the shares according to the provisions of the EIS.

CSPG shares are granted to directors, employees and consultants of CSPG (collectively the "Participants") under the EIS. The exercise price of the granted shares is zero. Shares are vested to the employee upon completing three years' services. The Participants will be entitled to 30%, 30% and 40% of the shares granted after completion of each of the three-year continuous employment.

As part of the acquisition of CSPG, 20,010,000 shares of the Company, Series A convertible notes with a principal amount of HK$40,020,000 and Series B convertible notes with a principal amount of HK$40,020,000 were issued to the Trustee in exchange for the CSPG shares held by the Trustee.

As of 31 December 2013, none of the shares granted under the employee incentive scheme was exercisable.

Substantial Shareholders' Interests in Shares, Underlying Shares and Debentures

As at 31 December 2013, the register of substantial Shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following Shareholders (other than those disclosed in the section headed "Directors' and Chief Executives' interests in Shares, Underlying Shares and Debentures") had notified the Company/the Stock Exchange of relevant interests and short positions in the shares or underlying shares of the Company.

Name of Shareholder	Capacity	Number of Shares held	Number of underlying Shares held	Percentage of the issued share capital of the Company as of 31 December 2013
Hung Chao Hong	Beneficial owner	9,376,000	–	8.87%
	Interest in controlled corporation	250,159,548	48,024,000	
Hong Zhonghai	Beneficial owner	1,800,000	–	5.19%
	Interest in controlled corporation	178,123,548	–	
Jet Mile Limited (note 1)	Beneficial owner	178,123,548	–	5.14%
Hyatt Servicing Limited (note 2)	Beneficial owner	72,036,000	48,024,000	3.46%

Directors' Report

Name of Shareholder	Capacity	Number of Shares held	Number of underlying Shares held	Percentage of the issued share capital of the Company as of 31 December 2013
Renewable Energy Trade Board Corporation	Beneficial owner	39,974,000	159,896,000	5.83%
	Interest in controlled corporation	2,205,621	–	
China Merchants New Energy Group Limited (note 3)	Beneficial owner	467,538,250	440,036,000	26.16%
Snow Hill Developments Limited (note 4)	Beneficial owner	–	103,111,436	29.14%
	Interest in controlled corporation	467,538,250	440,036,000	
China Merchants Group Limited	Interest in controlled corporation	467,538,250	543,147,436	29.14%
Magicgrand Group Limited (note 5)	Beneficial owner	–	71,230,827	28.22%
	Interest in controlled corporation	467,538,250	440,036,000	
Pairing Venture Limited (note 6)	Beneficial owner	–	18,173,487	28.74%
	Interest in controlled corporation	467,538,250	511,266,827	
Ease Soar Limited (note 7)	Beneficial owner	239,982,000	159,988,000	11.53%
GCL-Poly Energy Holdings Limited	Interest in controlled corporation	239,982,000	159,988,000	11.53%
Zhongli New Energy (Hong Kong) Investment Limited (formerly known as China New Energy Power Investment Corporation Ltd.) (note 8)	Beneficial owner	119,922,000	79,948,000	5.76%
Zhongli Talesun Solar Co., Ltd. (note 9)	Interest in controlled corporation	119,922,000	79,948,000	5.76%
Zhongli Science and Technology Group Co., Ltd. (note 10)	Interest in controlled corporation	119,922,000	79,948,000	5.76%
Wang Baixing	Interest in controlled corporation	119,922,000	79,948,000	5.76%

Directors' Report

Name of Shareholder	Capacity	Number of Shares held	Number of underlying Shares held	Percentage of the issued share capital of the Company as of 31 December 2013
Fosun International Limited (note 11)	Interest in controlled corporation	68,000,000	169,531,250	6.85%
Fosun International Holdings Limited (note 12)	Interest in controlled corporation	68,000,000	169,531,250	6.85%
Guo Guangchang	Interest in controlled corporation	68,000,000	169,531,250	6.85%
Invesco Hong Kong Limited	Investment manager	178,384,000	–	5.14%
China Orient Asset Management Corporation	Interest in controlled corporation	10,000,000	169,531,250	5.18%

Notes:

1. Jet Mile Limited is beneficially owned as to 66.7% by Mr. Hung Chao Hong and as to 33.3% by Mr. Hong Zhonghai.

2. Hyatt Servicing Limited is beneficially owned as to 99.99% by Mr. Hung Chao Hong and as to 0.01% by an independent third party.

3. China Merchants New Energy Group Limited is indirectly owned as to 53.56% by China Merchants Group Limited and as to 46.44% by Mr. Li, Alan, an executive director of the Company.

4. Snow Hill Developments Limited is indirectly and wholly owned by China Merchants Group Limited.

5. Magicgrand Group Limited is directly and indirectly owned as to 100% by Mr Li, Alan, an executive director.

6. Pairing Venture Limited is directly and wholly owned by Mr Li, Alan, an executive director.

7. Ease Soar Limited is indirectly and wholly owned by GCL-Poly Energy Holdings Limited.

8. Zhongli New Energy (Hong Kong) Investment Limited is directly and wholly owned by Zhongli Photovoltaic Science and Technology Group Company Limited.

9. Zhongli Talesun Solar Co., Ltd. is indirectly owned as to 66.29% by Zhongli Science and Technology Group Co., Ltd. and as to 33.71% by Mr. Wang Baixing.

10. Zhongli Science and Technology Group Co., Ltd. is indirectly owned as to 56.63% by Mr. Wang Baixing and as to 43.37% by an independent third party.

11. Fosun International Limited is indirectly owned as to 79.03% by Fosun International Holdings Limited.

12. Fosun International Holdings Limited is indirectly owned as to 58% by Mr. Guo Guangchang.

Directors' Report

Save as disclosed above, the Directors are not aware of any person (not being a Director) who, as at 31 December 2013, had an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was recorded in the register required to be kept under Section 336 of Part XV of the SFO or who (other than a member of the Group) was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

Connected Transactions

The following are summaries of connected transactions which were disclosed in the Company's announcements and/or circulars during the year under review and up to the date of this annual report:

(1) Acquisition of 92.17% equity interest in CSPG

On 22 November 2012, Profit Icon Investments Limited, a direct wholly-owned subsidiary of the Company holding 7.83% of the issued shares of CSPG, entered into a sale and purchase agreement with certain vendors regarding the acquisition of 92.17% equity interest in CSPG at a consideration of HK$2,119,910,000, which was satisfied by (i) allotment and issue of 959,462,250 shares of the Company; and (ii) issue of convertible notes with a principal amount of approximately HK$1,160 million, which comprise of Series A convertible notes with a principal amount of approximately HK$312 million and Series B convertible notes in the principal amount of approximately HK$848 million. The completion of the acquisition took place on 10 June 2013.

Hyatt Servicing Limited, one of the vendors owning the equity interest concerned, was an associate of a substantial Shareholder of the Company. Therefore, Hyatt Servicing Limited was a connected person of the Company and the acquisition constituted a connected transaction for the Company under the Listing Rules. The transaction was approved by the independent Shareholders on the special general meeting held on 29 May 2013.

Details of the sale and purchase agreement and the transaction contemplated therein were disclosed in the Company's announcements dated 18 January 2013 and 31 March 2013 and the circular dated 10 May 2013. The completion of the acquisition was announced by the Company on 10 June 2013.

(2) Acquisition of 55% equity interest in Changzhou Dinghui

On 7 January 2014, the Group completed the acquisition of a 45% equity interest in Changzhou Dinghui New Energy Company Limited (常州鼎暉新能源有限公司)(the "Changzhou Dinghui") for a total cash consideration of RMB4,500,000 (equivalent to approximately HK$5,724,000). Changzhou Dinghui and its subsidiaries are principally engaged in investment, construction, operation, maintenance and management of solar power plants located in Gonghe, Qinghai Province, China with an aggregate installed capacity of approximately 180MW.

On 8 January 2014, in furtherance to the acquisition of 45% equity interest in Changzhou Dinghui, United Photovoltaics (Changzhou) Investment Co., Ltd. (聯合光伏(常州)投資有限公司)(the "UP (Changzhou)"), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with EBODHK regarding the further acquisition by the Group of the remaining 55% equity interest in Changzhou Dinghui.

Directors' Report

EBODHK, being an associate of a substantial Shareholder of the Company, is a connected person of the Company and Changzhou Dinghui Acquisition constitutes a connected transaction under the Listing Rules. A special general meeting will be held to seek the approval by the Company's independent Shareholders.

Details of the sale and purchase agreement and the Changzhou Dinghui Acquisition contemplated therein were disclosed in the Company's announcement dated 8 January 2014 and will be further disclosed in the circular to be despatched.

Continuing Connected Transactions

At the special general meeting held on 29 May 2013, the Company's independent Shareholders approved the following proposed continuing connected transactions: (A) provision of solar electricity and energy saving service by members of the Group to China Merchants New Energy Group Limited, its subsidiaries and associates (together, the "CMNEG Group"); (B) supply of materials from GCL-Poly Energy Holdings Limited and its subsidiaries (together, the "GCL-Poly Group") to members of the Group; (C) supply of materials from members of the Group to Renewable Energy Trade Board Corporation ("EBOD"), its subsidiaries and associates (together, the "EBOD Group"); and (D) provision of processing services by members of the Group to members of the EBOD Group.

A summary of continuing connected transactions which took place during the year under review is as below :

(A) Provision of solar electricity and energy saving service by members of the Group to members of the CMNEG Group

(A1) Provision of solar electricity by the Group to CSOSA and its affiliates

On 29 December 2011, China Technology New Energy Limited ("CTNE") and China (Shenzhen) Ocean Shipping Agency Co., Limited (中國深圳外輪代理有限公司)("CSOSA"), a member of CMNEG Group entered into a framework agreement, whereby the parties agreed, among others, the provision of solar electricity by CTNE to CSOSA and its affiliates. Details of the terms and conditions for the provision of solar electricity as contemplated will be determined by solar electricity supply and energy saving service agreement(s) to be entered into by CTNE or its subsidiaries with CSOSA or its affiliates.

Term – The term of the framework agreement is a period of 25 years commencing from the date of the framework agreement.

Pricing – Transactions will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms and if there are no sufficient comparable transactions to assess whether they are on normal commercial terms, on terms no less favourable available to independent third parties on the basis that they will be fair and reasonable so far as the independent Shareholders are concerned and in accordance with relevant rules and regulations of the government (including the standard price for electricity supply promulgated by the local Price Control Administration (物價局), which will be adjusted in accordance the applicable rules and regulations from time to time. Separate written agreement(s) will be entered into between the relevant parties setting out the detailed terms or subsequent adjustment, if required. The pricing for provision of solar electricity and energy saving service will be based on the government guided pricing, the standard of which is set by the pricing department, plus an agreed fee arrived at arm's length negotiations taking into the generation, transmission and maintenance costs.

Transactions during the year – Nil.

Directors' Report

(A2) Provision of solar electricity by the Group to CMBL and its affiliates

On 25 May 2012, United Photovoltaics (Shenzhen) Limited (formerly known as China Merchants New Energy (Shenzhen) Ltd.)(the "UP (Shenzhen)"), a member of the Group, and China Merchants Bonded Logistics Co., Limited (招商局保税物流有限公司)("CMBL") entered into a solar electricity supply and energy saving service agreement for the supply of solar electricity and provision of related energy saving services by UP (Shenzhen) to CMBL.

Term – The agreement sets out for a term of 20 years commencing from 3 May 2012 and expiring on 2 May 2032.

Pricing – Pursuant to the relevant framework agreement and the solar electricity supply and energy service agreement, the price payable for the provision of solar electricity shall be the standard price for electricity supply promulgated by the local Price Control Administration (物價局) and to be adjusted in accordance the applicable rules and regulations from time to time and the initial price is RMB0.715/kwh. If the parties fail to agree on the adjustment on the price, either party may terminate the solar electricity supply and energy saving service agreement.

Transactions during the year – RMB1,112,000

(A3) Provision of solar electricity by the Group to CMLH and its affiliates

On 28 November 2011, CTNE and China Merchants Logistics Holdings Limited (招商局物流集團有限公司)("CMLH"), a member of CMNEG Group entered into a framework agreement, whereby the parties agreed, among others, the provision of solar electricity from CTNE to CMLH and its affiliates. Details of the terms and conditions for the provision of solar electricity as contemplated will be determined by solar electricity supply and energy saving service agreement(s) to be entered into by CTNE or its subsidiaries with CMLH or its affiliates.

Term – The term of the framework agreement is a period of 25 years commencing from the date of the framework agreement.

Pricing – Transactions will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms and if there are no sufficient comparable transactions to assess whether they are on normal commercial terms, on terms no less favourable available to independent third parties on the basis that they will be fair and reasonable so far as the independent Shareholders are concerned and in accordance with relevant rules and regulations of the government (including the standard price for electricity supply promulgated by the local Price Control Administration (物價局), which will be adjusted in accordance the applicable rules and regulations from time to time. Separate written agreement(s) will be entered into between the relevant parties setting out the detailed terms or subsequent adjustment, if required. The pricing for provision of solar electricity and energy saving service will be based on the government guided pricing, the standard of which is set by the pricing department, plus an agreed fee arrived at arm's length negotiations taking into the generation, transmission and maintenance costs.

Transactions during the year – Nil.

Directors' Report

(B) Supply of materials from members of the GCL-Poly Group to members of the Group

On 3 December 2010, Goldpoly (Quanzhou) Science & Technology Industry Company Limited (金保利(泉州)科技實業有限公司) ("GPQST"), a member of the Group and Suzhou GCL Photovoltaic Technology Co., Ltd. (蘇州協鑫光伏科技有限公司) ("GCLPT"), a member of the GCL-Poly Group entered into a supply agreement for the supply of polysilicon from GCLPT to members of the Group. The supply agreement sets out the overriding and principal terms for the transactions to be carried out by the relevant parties. Details of the terms and conditions for the supply of polysilicon as contemplated will be determined on an individual purchase order basis, which will be in line with the Group's policies and may vary according to the prevailing market conditions.

Term – The supply agreement sets out the terms for the supply between 2011 and 2015. In the fourth quarter of 2015, the parties will negotiate for a renewed agreement with such terms and conditions as may be agreed.

Pricing – Transactions will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms and if there are no sufficient comparable transactions to assess whether they are on normal commercial terms, on terms no less favourable than the terms available from independent third parties on the basis that they will be fair and reasonable so far as the independent Shareholders are concerned. The market price of polysilicon is volatile and may have great variation every month. The price will be agreed upon by the parties for transactions each month by reference to market price listed on the website of PV Insights (pvinsights.com), an international solar PV research firm which provides reports, advisory service and price reports and has its solar PV analysts, contacts and methodologies in information analyses, market forecasts and consulting services. Payments for the transactions will be at such credit terms as may be agreed between the parties on normal commercial terms and no less favourable to the Company than terms available from independent third parties.

Transactions during the year – Nil.

(C) Supply of materials from members of the Group to members of the EBOD Group

On 20 November 2012, GPQST and Linsun Power Technology (Quanzhou) Corp. Ltd. (淩陽能源科技(泉州)有限公司) ("LPTQ"), a member of EBOD Group entered into a supply agreement for the supply of solar cells from GPQST to LPTQ. The supply agreement sets out the overriding and principal terms for the transactions to be carried out by the relevant parties. Details of the terms and conditions for the supply of solar cells as contemplated will be determined on an individual purchase order basis, which will be in line with the Group's policies and may vary according to the prevailing market conditions.

Term – The term of the supply agreement is a period of 3 years commencing from 1 January 2013 and expiring on 30 December 2015.

Pricing – Transactions will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms and if there are no sufficient comparable transactions to assess whether they are on normal commercial terms, on terms no less favourable available from independent third parties. The market price of solar cells is volatile and may have great variation every month. The price will be agreed upon by the parties for transactions each month by reference to the market price listed on the website of PV Insights (pvinsights.com), an international solar PV research firm.

Transactions during the year – RMB482,000

Directors' Report

(D) Provision of processing services by members of the Group to members of the EBOD Group

On 16 November 2012, China Merchants Zhangzhou Development Zone Trendar Solar Tech Limited (招商局漳州開發區創達太陽能科技有限公司) ("CMTST"), a member of the Group and LPTQ, a member of the EBOD Group entered into an agreement for provision of processing service from CMTST to LPTQ, whereby CMTST will process the solar cells provided by LPTQ into solar modules.

Term – The term of the processing service agreement is a period of 3 years commencing from 1 January 2013 and expiring on 30 December 2015.

Pricing – The provision of processing services will be provided on normal commercial terms, in the absence of specific official price for similar services and sufficient comparable transactions to assess whether they are on normal commercial terms, which terms will be no less favourable than the terms available to independent third parties. Pursuant to the processing service agreement, the unit price is RMB2.4 per watt for the processing services, which is determined by reference to price offered by the Group to independent third parties.

Transactions during the year – RMB102,000

Directors' Report

The following table sets out the actual transaction amount for the year ended 31 December 2013, the proposed annual caps for the year ended 31 December 2013 and the year ending 31 December 2014 in respect of the above continuing connected transactions:

Continuing Connected Transactions	Major type of products/ services	Transaction amount for the year ended 31 December 2013 (RMB'000)	Annual cap for the year ended 31 December 2013 (RMB'000)	Annual cap for the year ending 31 December 2014 (RMB'000)
A. Provision of solar electricity and energy saving service by members of the Group to members of the CMNEG Group				
A1 Provision of solar electricity by the Group to CSOSA and its affiliates	Solar electricity	Nil	1,959	2,018
A2 Provision of solar electricity by UP (Shenzhen) to CMBL and its affiliates	Solar Electricity	1,112	19,591	20,178
A3 Provision of solar electricity by the Group to CMLH and its affiliates	Solar electricity	Nil	4,898	100,894
B. Supply of materials from members of the GCL-Poly Group to members of the Group				
Supply of polysilicon from GCLPT to members of the Group	Polysilicon	Nil	320,000	320,000
C. Supply of materials from members of the Group to members of the EBOD Group				
Supply of solar cells from GPQST to LPTQ	Solar cells	482	184,000	184,000
D. Provision of processing services by members of the Group to members of the EBOD Group				
Provision of processing services from CMTST to LPTQ	Processing services	102	160,000	160,000

The independent non-executive Directors have reviewed the connected transactions and continuing connected transactions and confirmed that the connected transactions and continuing connected transactions for the year ended 31 December 2013 were entered into: (i) in the ordinary and usual course of the business of the Group; (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant written agreements governing them on terms that are fair and reasonable and are in the interests of the Shareholders of the Company as a whole.

Directors' Report

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in pages 67 to 71 of the annual report in accordance with paragraph 14A.38 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A copy of the auditor's letter has been provided by the company to The Stock Exchange of Hong Kong Limited.

Directors' Interests in Competing Business

During the year and up to the date of this report, two of the Directors also hold the senior positions in EBOD, which launched its solar energy business in 2007 and is a solar power plants trading platform. EBOD used to be engaged in the manufacturing and sales of solar power modules for electricity generation and the related application products, such as off-grid solar systems, solar lighting and solar power chargers. By working in EBOD, these Directors have gained solid experience and in-depth knowledge of solar energy industry. The extensive industry experience of these two Directors provides the Board with perspectives appropriate for development of the Group's solar power plants business and fostering the competitive edge of the Group over its competitors.

Save as disclosed above, during the year and up to date of this report, no Director is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group, pursuant to the Listing Rules, other than those business of which the Directors were appointed as Directors to represent the interest of the Company and/or the Group.

Corporate Governance

Throughout the year ended 31 December 2013, the Company has applied the principles and complied with all the code provisions of the corporate governance code (the "CG Code") as set out in Appendix 14 to the Listing Rules, save for the following deviation.

Code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the period from 1 January 2013 to 10 June 2013, the Company did not have a chief executive officer and the executive board members collectively performed the responsibilities of the chief executive. During that period, Mr. Lam Ho Fai was an executive director of the Company, one of the executive board members taking the role as a chief executive, as well as the acting chairman heading the Board (the "Chairman"). The Board believed that such an arrangement would not impair the balance of power and authority between the chairman and chief executive, as the function of chief executive was collectively performed by all the executive board members and not only by the Chairman. On 11 June 2013, Mr. Li Alan, an executive director of the Company, was appointed as the chief executive officer of the Company (the "CEO") and the executive board members ceased to take the role as chief executive. The responsibilities of the chairman and chief executive were divided, and the roles were separate and performed by different individuals. However, as a result of Mr. Lam Ho Fai's resignation as an executive director of the Company on 20 December 2013 and the subsequent appointment of Mr. Li Alan as Chairman on 7 January 2014, the roles of chairman and chief executive were combined again. The Board is of the view that the current structure will enable the Company to achieve its overall business goals more effectively and efficiently as the Company is in a rapid development phase for the time being. The Board believes that the balance of power and authority between chairman and chief executive will not be impaired by the present arrangement and the significant weight of the non-executive directors (including the independent ones) will enable the Board as a whole to effectively exercise its non-bias judgement.

Directors' Report

More Information on the Company's corporate governance practice is set out in the Report of the Corporate Governance accompanying this annual report.

Emolument Policy

The Group remunerates its employees, including the directors, based on their performance, experience, qualifications, competence and prevailing market comparables. Remuneration package generally comprises salary, contribution to pension schemes and bonuses relating to the individual's performance and his/her contribution to the Group's business. The remuneration policy of the Directors is reviewed by the Company's remuneration committee.

The Company has adopted the Old Scheme and the New Scheme respectively as an incentive to directors, consultants and eligible employees. CSPG, a wholly-owned subsidiary of the Company, has an employee incentive scheme in place to reward the directors, employees and consultants of CSPG and its subsidiaries with shares and convertible bonds. Details of these schemes are set out under the section headed "Share Option Scheme" and "Employee Incentive Scheme" in this report and in note 24(d) and 24(g) to the consolidated financial statements.

The determination of emolument of the Directors had taken into consideration of their expertise and job specifications.

Sufficiency of Public Float

Based on information available to the Company and to the best knowledge of the Directors, the Company has maintained a sufficient amount of public float of its issued share capital in the Hong Kong stock market throughout the financial year ended 31 December 2013 and has continued to maintain a sufficient amount of public float as required under the Listing Rules as at the date of this annual report.

Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year under review.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

The following are summaries of material acquisitions which were disclosed in the Company's announcements and/or circulars during the year under review and up to date of this annual report:

On 10 June 2013, the Group completed the acquisition of 92.17% equity interest in CSPG, which was satisfied by (i) issuance of 959,462,250 shares of the Company; and (ii) issuance of convertible notes with a principal amount of approximately HK$1,160 million, which comprise of Series A convertible notes with a principal amount of approximately HK$312 million and Series B convertible notes with a principal amount of approximately HK$848 million. CSPG and its subsidiaries are mainly engaged in the provision of solar energy products and development, investment, operation and management of solar power plants. Upon the completion of the acquisition, CSPG became a wholly-owned subsidiary of the Company and the financial results of CSPG and its subsidiaries were accordingly consolidated into the financial statements of the Group.

Directors' Report

On 19 December 2013, United Photovoltaics (Changzhou) Investment Co., Ltd. (聯合光伏(常州)投資有限公司)(the "UP (Changzhou)"), an indirect wholly-owned subsidiary of the Company , entered into two sale and purchase agreements with Jiangsu Yongneng New Energy Investment Limited* (江蘇永能新能源投資有限公司) regarding acquisition of 86.79% equity interest in Guodian Chahaeryouyiqianqi Solar Power Company Limited* (國電察哈爾右翼前旗光伏發電有限公司) and 90.33% equity interest in Guodian Wulatehouqi Solar Power Company Limited* (國電烏拉特後旗光伏發電有限公司) respectively (altogether, the "90MW Equity Interest"). On the same date, UP (Changzhou) entered into two sale and purchase agreements with Forty-eighth Research Institute regarding acquisition of 89.7839% equity interest in Guodian Tuoketuo County Solar Power Company Limited* (國電托克托縣光伏發電有限公司) and 55% equity interest in Guodian Nailuntumotezuoqi Solar Power Company Limited* (國電奈倫土默特左旗光伏發電有限公司) respectively (altogether, the "105MW Equity Interest"). These four target companies own four solar power plants located in Inner Mongolia, China with aggregate installed capacity of approximately 195MW. As at the date hereof, the acquisition of 90MW Equity Interests and Guodian Tuoketuo County Solar Power Company Limited* is completed, whereas certain conditions precedent to the acquisition of the equity interests of Guodian Nailuntumotezuoqi Solar Power Company Limited* as stated in the corresponding sales and purchase agreements have not yet been satisfied. The Company is cooperating with all the relevant parties closely to consummate such acquisition.

On 27 December 2013, the Group completed the acquisition of 50% equity interest in Fengxian Huize for a total cash consideration of RMB225,000,000 (equivalent to approximately HK$286,176,000). Fengxian Huize and its subsidiaries are principally engaged in operating roof-top solar power plant projects with an aggregate installed capacity of approximately 23.8MW and ecology agriculture and farming related business located in Jiangsu Province, China. Fengxian Huize is accounted for as an associate of the Group after the completion of acquisition and the results and net assets will be equity accounted for in the consolidated financial statements of the Group.

On 7 January 2014, the Group completed the acquisition of a 45% equity interest in Changzhou Dinghui for a total cash consideration of RMB4,500,000 (equivalent to approximately HK$5,724,000). Changzhou Dinghui and its subsidiaries are principally engaged in investment, construction, operation, maintenance and management of solar power plants located in Gonghe, Qinghai Province, China with an aggregate installed capacity of approximately 180MW. Changzhou Dinghui is accounted for as an associate of the Group after the completion of acquisition and the results and net assets are equity accounted for in the consolidated financial statements of the Group.

On 8 January 2014, following the acquisition of 45% equity interest in Changzhou Dinghui, UP (Changzhou) entered into a sale and purchase agreement with EBODHK regarding the further acquisition by the Group of the remaining 55% equity interest in Changzhou Dinghui. As the Changzhou Dinghui Acquisition constitutes a major connected transaction under the Listing Rules, a special general meeting will be held to seek the approval by the Company's independent shareholders. Upon completion of the Changzhou Dinghui Acquisition, Changzhou Dinghui will become a wholly-owned subsidiary of the Company and the financial results of Changzhou Dinghui and its subsidiaries will be consolidated into the financial statements of the Group.

Directors' Report

Progress of the acquisition/development of the solar power plants under the framework agreements of the Group as at the date of this report

The Group has entered into certain strategic framework agreements with various business partners in the solar power industry. By entering into such framework agreements, it enables the Group to maintain a sizeable portfolio of long-term project reserve and gives the Group flexibility and options to develop and invest in solar power plants at a comfortable pace and scale.

The status of the solar power projects as contemplated under the framework agreements, in respect of which the definitive agreements have been entered into by the Group as at the date of this report are set out below:

Date of agreement/ disclosure	Counterparties	Subject matter	Maximum contracted/ projected installed capacity	Aggregated installation capacity for which the definitive agreements had been entered into	Aggregated installed capacity, the acquisition/ development of which had been completed	Aggregated installed capacity acquired/ developed which had been on-grid connected
1 29 December 2011 (Details disclosed in the circular dated 10 May 2013)	China (Shenzhen) Ocean Shipping Agency Co., Limited* (中國深圳外輪代理有限公司) ("CSOSA")	Grant of exclusive right to lease rooftops of certain properties owned by CSOSA for development of rooftop solar power systems on such area in the PRC with a total area of not less than 20,000 square meters for a term of 25 years	2MW	–	300KW	300KW
2 30 December 2011 (Details disclosed in the circular dated 10 May 2013)	China Merchants Bonded Logistics Co., Limited* (招商局保稅物流有限公司) ("CMBL")	Grant of exclusive right to lease rooftops of certain properties owned by CMBL for development of rooftop solar power systems on such area in the PRC with a total area of not less than 200,000 square meters for a term of 25 years	20MW	2.1MW	2.1MW	2.1MW
3 19 June 2012, as supplemented on 19 June 2012 and 29 August 2012 (Details disclosed in the circular dated 10 May 2013)	Zhongli Photovoltaic Science and Technology Group Co., Ltd.* (中利騰暉光伏科技有限公司) ("Zhongli Talesun")	Acquisition of the equity interest in the project companies which own certain completed solar power plants located in Gansu, Qinghai, Xinjiang, and Jiangsu provinces in the PRC (Note 1)	2,000MW	323.8MW	323.8MW	323.8MW
4 22 August 2013 (Details disclosed in the announcement dated 22 August 2013)	GD Solar, GD NARI, GD Mongolia, Poly New Energy and Forty-eighth Research Institute	Acquisition of the equity interest in the project companies for certain completed solar power plants, which satisfy the technical standards and financial requirements of the Group (Note 2)	400MW	195MW	130MW	195MW

Directors' Report

Note:

1. In connection with the projects identified in the framework agreement dated 19 June 2012, the parties further made a series of agreements to materialize the transactions contemplated thereunder, including:

   (i) definitive sale and purchase agreement dated 22 December 2012 (as supplemented by a supplemental agreement dated the same date and a supplemental agreement dated 14 March 2013) regarding acquisition of two solar power plants with aggregate installed capacity of 120MW, the acquisition was completed on 24 December 2012, details of which were disclosed in the circular of the Company dated 10 May 2013;

   (ii) conditional acquisition agreement dated 2 August 2013 in relation to the acquisition of the entire equity interest of project companies which own certain completed solar power plants with an aggregate electricity generation capacity of approximately 300MW by the Group from Zhongli Talesun, subject to the fulfillment of certain conditions. The agreement sets out the conditions precedent to entering into definitive sale and purchase agreements in relation to the acquisition of such project companies, details of which were disclosed in the announcement on the same date;

   (iii) definitive sale and purchase agreements dated 13 December 2013 and 8 January 2014 regarding acquisition of 45% and 55% equity interest in a company (the "Target Company") which holds three solar power plants with aggregate installed capacity of 180MW, details of which were disclosed in the announcements dated 13 December 2013 and 8 January 2014 respectively. The acquisition of 45% equity interest in the Target Company was completed on 7 January 2014. As at the date of this annual report, the acquisition of 55% equity interest in the Target Company has not yet been completed; and

   (iv) definitive sale and purchase agreement with Suzhou Gong Ye Yuan Qu Zhong Fu Investment Management Company Limited (蘇州工業園區中伏投資管理有限公司) dated 6 September 2013 in relation to acquisition of 50% equity interest in Fengxian Huize which beneficially owns two roof-top solar power plants with aggregate installed capacity of 23.8MW. Details were disclosed in the circular dated 22 November 2013. The acquisition was completed on 20 December 2013, details of which were disclosed in the announcement on the same date.

2. In connection with the projects identified in the agreement dated 22 August 2013, the parties further made a series of agreements to materialize the transactions contemplated thereunder, including:

   (i) framework agreement dated 28 November 2013 regarding the proposed acquisition of certain equity interest in four project companies which own the four solar power plants with aggregate installed capacity of 195MW, details of which were disclosed in the announcement on the same date; and

   (ii) four definitive sale and purchase agreements dated 19 December 2013 regarding acquisition of certain equity interest in the above four project companies with aggregate installed capacity of 195MW, details of which were disclosed in the announcement on 20 December 2013. As at the date hereof, the acquisition of three of the four project companies which own solar power plants with an aggregate installed capacity of 130MW is completed on 27 March 2014, 28 March 2014 and 4 April 2014 respectively, details of which were disclosed in the announcements on the same dates. Certain conditions precedent to the acquisition of the equity interests in the remaining project company which owns a solar power plant with an aggregate installed capacity of 65MW as stated in the corresponding sales and purchase agreements have not yet been satisfied. The Company is cooperating with all the relevant parties closely to consummate such acquisition.

Directors' Report

Audit Committee

The Board has established its audit committee since 14 March 2000. Currently it consists of four members, including three independent non-executive Directors, namely Mr. Kwan Kai Cheong, Mr. Ching Kwok Ho, Samuel and Mr. Yen Yuen Ho, Tony, and one non-executive Director, namely Mr. Yang Baiqian. The audit committee is chaired by Mr. Kwan Kai Cheong who is an independent non-executive Director having the relevant professional qualification and expertise in financial reporting matters.

The consolidated financial statements for the year ended 31 December 2013 have been reviewed by the Company's audit committee.

Auditors

The consolidated financial statements for the year ended 31 December 2013 have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for re-appointment of PricewaterhouseCoopers as auditor of the Company will be proposed at such meeting.

Events after the Balance Sheet Date

Details of the events of the Group occurring after the balance sheet date are set out in the note 35 to the consolidated financial statements.

On behalf of the Board
Li, Alan
Chairman and CEO

Hong Kong, 28 March 2014

* *For identification purpose only*

Independent Auditor's Report

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF UNITED PHOTOVOLTAICS GROUP LIMITED
(formerly known as Goldpoly New Energy Holdings Limited)
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of United Photovoltaics Group Limited (formerly known as Goldpoly New Energy Holdings Limited) (the "Company") and its subsidiaries (together the "Group") set out on pages 80 to 158, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

We draw attention to the Note 2.1.1 of the consolidated financial statements, which states that the Group's current liabilities exceeded its current assets by HK$1,001 million as at 31 December 2013, and it had incurred a net loss of HK$2,305 million for the year then ended. In addition, the Group had entered into a conditional sale and purchase agreement on 8 January 2014 to acquire a subsidiary and in that connection the Group will upon closing of the acquisition need to assume the then liabilities of the subsidiary, which amounted to approximately HK$2.4 billion as at 31 December 2013. On 27 March 2014 and 28 March 2014, the Group completed the acquisition of two subsidiaries and assumed the then liabilities of these subsidiaries, which amounted to approximately HK$1.16 billion. These conditions, along with other matters as described in Note 2.1.1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 March 2014

Consolidated Income Statement

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Revenue	5	313,699	223,269
Tariff adjustment	5	23,879	–
		337,578	223,269
Cost of sales	8	(411,641)	(289,806)
Gross loss		(74,063)	(66,537)
Other income	7	12,436	6,279
Other loss, net	7	(66,946)	(697)
Distribution costs	8	(790)	(7,041)
Administrative expenses	8	(183,237)	(66,952)
Fair value gain on previously held interest in China Solar Power Group Limited ("CSPG") as a result of business combination	34	197,896	–
Impairment charge on goodwill	17, 34	(1,205,018)	(612,788)
Impairment charge on concession rights	17	(819,145)	–
Fair value loss on put option issued relating to acquisition of an associate	19	(163,782)	–
Operating loss		(2,302,649)	(747,736)
Finance income	10	183,100	1,629
Finance costs	10	(356,607)	(66,585)
Finance costs – net	10	(173,507)	(64,956)
Share of loss of an associate	19	(1,019)	(667)
Loss before income tax		(2,477,175)	(813,359)
Income tax credit/(expense)	11	171,715	(1,442)
Loss for the year		(2,305,460)	(814,801)
Loss attributable to			
– Owners of the Company		(2,304,986)	(814,801)
– Non-controlling interest		(474)	–
		(2,305,460)	(814,801)
Loss per share for loss attributable to owners of the Company			
– basic (HK cents)	13	(137.94)	(93.35)
– diluted (HK cents)	13	(137.94)	(93.35)

The notes on pages 88 to 158 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Loss for the year	(2,305,460)	(814,801)
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Revaluation surplus prior to transfer of property, plant and equipment to investment properties, net of tax	2,409	–
Items that have been reclassified or may be subsequently reclassified to profit or loss		
Change in value of available-for-sale financial assets	(500)	198,396
Realisation of available-for-sale financial asset revaluation reserve in relation to a business combination (Note 34)	(197,896)	–
Exchange differences arising on translation of financial statements of subsidiaries and associates	32,736	(11,416)
Total other comprehensive (loss)/income for the year, net of tax	(163,251)	186,980
Total comprehensive loss for the year	(2,468,711)	(627,821)
Total comprehensive loss for the year attributable to		
– Owners of the Company	(2,468,258)	(627,821)
– Non-controlling interest	(453)	–
	(2,468,711)	(627,821)

The notes on pages 88 to 158 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Land use rights	14	141,457	139,909
Property, plant and equipment	15	2,561,563	857,165
Investment properties	16	48,485	5,901
Intangible assets	17	1,647,995	–
Investments in associates	19	289,819	4,456
Available-for-sale financial asset	20	–	219,240
Other receivables, deposits and prepayments	21	562,518	40,945
		5,251,837	1,267,616
Current assets			
Inventories	22	8,771	28,813
Trade and other receivables, deposits and prepayments	21	324,850	195,282
Financial asset at fair value through profit or loss	34(h)	94,005	–
Pledged bank deposits	23	150,737	81,419
Restricted cash	23	23,250	–
Cash and cash equivalents	23	137,413	32,297
		739,026	337,811
Total assets		5,990,863	1,605,427
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	24	346,878	88,191
Reserves		101,231	135,781
		448,109	223,972
Non-controlling interest		1,812	–
Total equity		449,921	223,972

Consolidated Statement of Financial Position

As at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
LIABILITIES			
Non-current liabilities			
Convertible notes	26	1,235,912	652,665
Contingent consideration payables	26 & 34(b)	1,244,461	–
Deferred government grant	31	111,455	84,000
Deferred tax liabilities	27	334,334	31,339
Cash-settled share-based payment	24(g)	35,445	–
Amounts due to shareholders	29	–	26,000
Long-term bank borrowings	30	839,449	–
		3,801,056	794,004
Current liabilities			
Trade and bills payable, other payables and accruals	28	1,154,697	488,686
Amounts due to shareholders	29	26,200	–
Amount due to an associate	19	18,442	–
Current portion of long-term bank borrowing	30	63,595	–
Short-term bank borrowings	30	185,943	98,765
Loan from a third party	30	127,189	–
Financial liability at fair value through profit or loss	19	163,782	–
Current income tax liabilities		38	–
		1,739,886	587,451
Total liabilities		5,540,942	1,381,455
Total equity and liabilities		5,990,863	1,605,427
Net current liabilities		(1,000,860)	(249,640)
Total assets less current liabilities		4,250,977	1,017,976

The consolidated financial statements on pages 80 to 87 were approved by the Board of Directors on 28 March 2014 and were signed on its behalf

Mr. Li, Alan
Director

Mr. Lu Zhenwei
Director

The notes on pages 88 to 158 are an integral part of these consolidated financial statements.

Statement of Financial Position

As at 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Interests in subsidiaries	18	1,962,697	847,024
Current assets			
Other deposits and prepayments	21	491	192
Amounts due from subsidiaries	18(b)	1,183,690	–
Restricted cash	23	23,250	–
Cash and bank balances	23	3,606	12,976
		1,211,037	13,168
Total assets		3,173,734	860,192
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	24	346,878	88,191
Reserves	25	93,125	94,646
Total equity		440,003	182,837
Liabilities			
Non-current liabilities			
Convertible notes	26	1,235,912	652,665
Contingent consideration payables	26, 34(b)	1,244,461	–
Cash-settled share-based payment	24(g)	35,445	–
Amounts due to shareholders	29	–	21,000
		2,515,818	673,665
Current liabilities			
Other payables and accruals	28	7,321	3,690
Amounts due to subsidiaries	18(b)	25,810	–
Amounts due to shareholders	29	21,000	–
Financial liability at fair value through profit or loss	19	163,782	–
		217,913	3,690
Total liabilities		2,733,731	677,355
Total equity and liabilities		3,173,734	860,192
Net current assets		993,124	9,478
Total assets less current liabilities		2,955,821	856,502

The consolidated financial statements on pages 80 to 87 were approved by the Board of Directors on 28 March 2014 and were signed on its behalf

Mr. Li, Alan
Director

Mr. Lu Zhenwei
Director

The notes on pages 88 to 158 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Convertible note equity reserve HK$'000	Translation reserve HK$'000	Property revaluation reserve HK$'000	Available-for-sale financial asset revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 31 December 2011 and 1 January 2012	85,878	510,002	1,578	1,406,847	49,297	–	–	(1,223,064)	830,538
Comprehensive income									
Loss for the year	–	–	–	–	–	–	–	(814,801)	(814,801)
Other comprehensive income	–	–	–	–	(11,416)	–	198,396	–	186,980
Total comprehensive income	–	–	–	–	(11,416)	–	198,396	(814,801)	(627,821)
Issue of shares upon exercise of share options (Note 24(c))	23	126	–	–	–	–	–	–	149
Issue of shares in relation to acquisition of available-for-sale financial assets (Note 24(b))	2,290	18,554	–	–	–	–	–	–	20,844
Share-based payment	–	–	262	–	–	–	–	–	262
Total transactions with owners, recognised directly in equity	2,313	18,680	262	–	–	–	–	–	21,255
Balance at 31 December 2012	88,191	528,682	1,840	1,406,847	37,881	–	198,396	(2,037,865)	223,972

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Share capital HK$'000	Share premium HK$'000	Share-based Payment reserve HK$'000	Shares held under employee incentive scheme ("EIS") HK$'000	Convertible note equity reserve HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Available-for-sale financial asset revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
Balance at 1 January 2013	88,191	528,682	1,840	–	1,406,847	–	37,881	198,396	(2,037,865)	223,972	–	223,972
Comprehensive income												
Loss for the year	–	–	–	–	–	–	–	–	(2,304,986)	(2,304,986)	(474)	(2,305,460)
Other comprehensive income	–	–	–	–	–	2,409	32,715	(198,396)	–	(163,272)	21	(163,251)
Total comprehensive income	–	–	–	–	–	2,409	32,715	(198,396)	(2,304,986)	(2,468,258)	(453)	(2,468,711)
Issue of shares and convertible notes in relation to a business combination (Note 34)	93,945	1,334,023	50,865	–	288,661	–	–	–	–	1,767,494	2,265	1,769,759
Issue of shares to a trustee in relation to EIS (Note 24(g))	2,001	28,414	–	(30,415)	–	–	–	–	–	–	–	–
Issue of shares upon exercise of share options (Note 24(c))	222	2,023	–	–	–	–	–	–	–	2,245	–	2,245
Issue of shares upon conversion of convertible notes (Note 24(d))	157,019	1,830,337	–	–	(1,322,933)	–	–	–	–	664,423	–	664,423
Issue of HK$233 million convertible notes (Note 26)	–	–	–	–	137,762	–	–	–	–	137,762	–	137,762
Issue of shares through placement (Note 24(e))	5,500	86,797	–	–	–	–	–	–	–	92,297	–	92,297
Share option lapsed (Note 24(f))	–	–	(408)	–	–	–	–	–	408	–	–	–
Share-based payment (Note 24(g))	–	–	28,174	–	–	–	–	–	–	28,174	–	28,174
Total transactions with owners, recognised directly in equity	258,687	3,281,594	78,631	(30,415)	(896,510)	–	–	–	408	2,692,395	2,265	2,694,660
Balance at 31 December 2013	346,878	3,810,276	80,471	(30,415)	510,337	2,409	70,596	–	(4,342,443)	448,109	1,812	449,921

The notes on pages 88 to 158 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Note	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Cash generated from operations	32(a)	470,403	127,102
Interest paid		(75,337)	(7,979)
Income tax paid		–	(11,622)
Net cash generated from operating activities		395,066	107,501
Cash flow from investing activities			
Acquisitions of subsidiaries, net of cash acquired	34	112,099	–
Acquisition of an associate		(286,264)	–
Purchase of property, plant and equipment		(84,366)	(196,639)
Prepayment for the purchase of plant and equipment		(327,665)	–
Deposits for investments		(100,000)	–
Interest received		1,826	1,629
Proceeds from government grant		26,223	–
Net cash used in investing activities		(658,147)	(195,010)
Cash flow from financing activities			
Net proceeds from placing of new shares	24(e)	92,297	–
Net proceeds from issuance of new shares upon exercise of share options	24(b)	2,245	149
Increase in pledged bank deposits		(69,318)	(26,239)
Increase in restricted cash		(23,250)	–
Net proceeds from issuance of convertible notes		1,123,606	–
Proceeds from amounts due to shareholders		200	20,200
Proceeds from amount due to an associate		18,442	–
Proceeds from bank borrowings		374,184	98,765
Repayment of bank borrowings		(1,164,148)	(136,472)
Loan from a third party		12,719	–
Net cash generated from/(used in) financing activities		366,977	(43,597)
Net increase/(decrease) in cash and cash equivalents		103,896	(131,106)
Cash and cash equivalents at beginning of year		32,297	162,751
Effect of foreign exchange rate changes		1,220	652
Cash and cash equivalents at end of year	23	137,413	32,297

The notes on pages 88 to 158 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

1 GENERAL INFORMATION

United Photovoltaics Group Limited (formerly known as Goldpoly New Energy Holdings Limited) (the "Company") and its subsidiaries (together the "Group") are principally engaged in the provision of solar energy related products and solutions and development, investment, operation and management of solar power plants.

The Company is an exempted limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. The principal business address in Hong Kong is Unit 1012, 10/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 28 March 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through profit or loss, available-for-sale financial asset, contingent consideration payables, financial liability at fair value through profit or loss and cash-settled share-based payment, which are carried at fair values.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Going concern

As at 31 December 2013, the Group's current liabilities exceeded its current assets by HK$1,000,860,000, and it had incurred a net loss of HK$2,305,460,000 for the year then ended.

On 7 January 2014, the Group acquired a 45% equity interest in Changzhou Dinghui New Energy Limited ("Changzhou Dinghui"), which operates three solar power plants located in Gonghe, Qinghai Province, the PRC with an aggregate installed capacity of approximately 180MW, for a cash consideration of RMB4.5 million (equivalent to approximately HK$5.7 million). Changzhou Dinghui has become an associated company of the Company since then. On 8 January 2014, the Group had entered into a conditional sale and purchase agreement to acquire the remaining 55% equity interest in Changzhou Dinghui for cash consideration of RMB5.5 million (equivalent to approximately HK$7.0 million) ("Changzhou Dinghui Acquisition"). The completion of the Changzhou Dinghui Acquisition is dependent on the fulfilment of a number of conditions, amongst others, the approval from independent shareholders of the Company. Should the Changzhou Dinghui Acquisition be completed, the Group would assume the liabilities of Changzhou Dinghui, which amounted to approximately RMB1.9 billion (equivalent to approximately HK$2.4 billion) as at 31 December 2013, and would need to obtain additional financing to fulfil these financial obligations of Changzhou Dinghui.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Going concern (Continued)

On 27 March 2014 and 28 March 2014, the Group completed the acquisition of a 86.79% equity interest in Guodian Chahaeryouyiqianqi Solar Power Company Limited and a 90.33% equity interest in Guodian Wulatehouqi Solar Power Company Limited ("Guodian Project Companies") respectively. The Guodian Project Companies operate two solar power plants in Inner Mongolia, the PRC, with an aggregate installed capacity of approximately 90MW ("Guodian Project Companies Acquisition"). They have achieved on-grid connection successfully on 31 December 2013. The total consideration approximated RMB159 million (equivalent to approximately HK$202 million). Up to 31 December 2013, the Group has paid HK$100 million to the vendor as deposit for the acquisition. The Group assumed the liabilities of the Guodian Project Companies upon completion, which aggregated to approximately RMB909,800,000 (equivalent to approximately HK$1,155,450,000).

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from the balance sheet date. They are of the opinion that, taking into account the following, the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from the balance sheet date:

(i) On 29 January 2014, the Company completed the placing of 480,000,000 shares of the Company at a price of HK$1.72 per share (the "Placement"). The net proceeds from the Placement approximated HK$809 million.

(ii) During the year, the Group had obtained a 13-year loan facility of RMB800 million (equivalent to approximately HK$1,018 million) from China Development Bank. As at 31 December 2013, the Group had already drawn down RMB710 million (equivalent to approximately HK$903 million) from this loan facility. Subsequent to year end, another RMB40 million (equivalent to approximately HK$51 million) was drawn down. The directors of the Company estimate to draw down the remaining unutilised loan amount of RMB50 million in the coming year.

(iii) The solar power plants currently held by the Group have already achieved on-grid connection. These solar power plants are expected to bring in operating cash inflows to the Group.

(iv) In October 2013, Shenzhen China Merchants Yinke Investment Management Limited ("CM Yinke"), a fellow subsidiary of a shareholder of the Company, has issued a letter of conditional financial support to the Group to enable it to meet its liabilities and obligation (including capital expenditures and operating expenses) in connection with its existing and future solar energy business up to a period ending 30 June 2015. Such financial support is intended to be provided to the Group for its solar energy projects undertaken if these projects could generate a return of not less than 8% per annum; and if they are in compliance with the relevant laws and regulations in the PRC. Such assessment has to be made on a project by project basis. Management is confident that the Group could obtain financial support from CM Yinke as all solar energy projects to be undertaken by the Group are expected to generate an internal rate of return of not less than 8% per annum.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Going concern (Continued)

(v) Changzhou Dinghui is currently in the process of negotiating another 13-year long-term loan with a bank for a principal loan amount of approximately RMB 1.3 billion, which will be secured by Changzhou Dinghui's property, plant and equipment with a carrying value of RMB 1.8 billion as at 31 December 2013. In addition, the Group and Changzhou Dinghui are also currently in the process of obtaining other forms of short-term or long-term financing. Therefore, the directors expect that the Group will have sufficient cash flows to fulfil the financial obligations of Changzhou Dinghui should the acquisition be completed.

(vi) Based on the past experience of the Group, the directors are confident that they could obtain financing from short-term or long-term bank borrowings, placement of shares or issuance of convertible notes to fulfil the financial obligations of Guodian Project Companies as and when they fall due.

In the opinion of the directors, in light of the above, the Group will have sufficient working capital to fulfil its financial obligations as and when they fall due in the coming 12 months from the date of the financial statements. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Group can achieve the plans and measures described in (iii) to (vi) above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to obtain the project financing from CM Yinke, secure the RMB1.3 billion long-term bank loan, obtain other short-term or long-term financings and generate adequate operating cash inflows from its existing plants, Changzhou Dinghui and Guodian Project Companies. Should the Group be unable to operate as a going concern, adjustment would have to be made to reduce the carrying values of the Group's assets to their recoverable amounts, to provide for financial liabilities which might arise; and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

2.1.2 Changes in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the Group:

Amendment to HKAS 1, "Financial statement presentation" regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policy and disclosures (Continued)

(a) New and amended standards adopted by the Group (Continued)

Amendment to HKFRS 7, "Financial instruments: Disclosures", on asset and liability offseting. The amendments require new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

HKFRS 10, "Consolidated financial statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

HKFRS 12, "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

HKFRS 13, "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The requirements, which are largely aligned between HKFRSs and generally accepted accounting principles in the United States of America ("US GAAP"), do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within HKFRSs.

Amendments to HKAS 36, "Impairment of assets", on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in HKAS 36 by the issue of HKFRS 13. The amendment is not mandatory for the Group until 1 January 2014, however the Group has decided to early adopt the amendment as of 1 January 2013.

There are no other amended standards or interpretations that are effective for the first time for the financial year beginning on or after 1 January 2013 that would be expected to have a material impact on the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Changes in accounting policy and disclosures (Continued)

(b) New standards, amendments to standards and interpretation that have been issued but were not yet effective

The following new/revised standards, amendments and interpretations have been issued but were not effective for the financial year beginning on 1 January 2013 and have not been adopted early by the Group:

HKFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact. The Group will also consider the impact of the remaining phases of HKFRS 9 when completed by the Board.

The Group has already commenced an assessment of the related impact of adopting the above new standard and interpretations, amendments and revision to existing standards and interpretation to the Group. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the consolidated financial statements will be resulted.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) Business combination (Continued)

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in the profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in the consolidated income statement or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement (Note 2.9).

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment and capital contribution relating to EIS. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Associates (Continued)

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of loss of investments accounted for using equity method" in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Company that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in consolidated income statement.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within "finance costs – net". All other foreign exchange gains and losses are presented in the consolidated income statement within "other losses, net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expense for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expense are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvements	Over the unexpired periods of the leases or their expected useful lives of 3 years, whichever is shorter
Power generators and equipment	25 years
Plant and machinery	5-8 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	4-5 years

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Property, plant and equipment (Continued)

Construction in-progress represents property, plant and equipment under construction and pending installation and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction of buildings and the costs of plant and machinery. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and are available for the intended use. When the assets concerned are brought into use, the costs are transferred to other property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

If an item of property, plant and equipment becomes an investment property because its use has changed, any surplus resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverse a previous impairment loss, the gain is recognised in the consolidated income statement. On the other hand, if the fair value of the property, plant and equipment decreased, the decrease is recognised in the consolidated income statement.

2.7 Land use rights

Land use rights are located in the PRC and they are classified as operating leases. All land use rights are carried at cost less accumulated amortisation and impairment loss. Amortisation is provided to write off cost of land use rights on a straight-line basis over the respective lease period.

2.8 Investment property

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment property. Land held under operating leases are accounted for as investment property when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment property is carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of a valuation gain or loss in "other losses, net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Concession rights

Concession rights represent rights to develop, acquire and operate certain solar power plants. Concession rights acquired in a business combination are initially recognised at fair value. The concession rights are redesignated to property, plant and equipment when the relevant solar power plants are developed, acquired or operated by the Group. Concession rights are subsequently carried at cost less depreciation and accumulated impairment loss.

2.10 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The Group's financial liabilities are classified as financial liability at fair value through profit or loss or other financial liabilities at amortised cost. The classification depends on the purpose for which the financial assets and financial liabilities were acquired. Management determines the classification of its financial assets and financial liabilities at initial recognition.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

2.11.1 Classification (Continued)

(a) *Financial assets and liabilities at fair value through profit or loss*

Financial assets and liabilities at fair value through profit or loss are financial assets and financial liabilities held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Balances in this category are classified as current if expected to be settled within 12 months; otherwise, they are classified as non-current.

(b) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to settled more than 12 months after the end of the reporting period. These are classified as non-current assets.

(c) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(d) *Other financial liabilities at amortised cost*

Other financial liabilities at amortised cost are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method.

2.11.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Financial assets (Continued)

2.11.2 Recognition and measurement (Continued)

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.13 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held- to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Impairment of financial assets (Continued)

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.15 Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

2.17 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company’s equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company’s owners.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Trade payables

Trade payables are obligations to pay for goods that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

2.21 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in shareholders' equity in other reserves. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Compound financial instruments issued by the Group also comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued may vary.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Compound financial instruments (Continued)

The liability component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of all derivatives. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. Derivatives are carried at fair value subsequently, with changes in fair value presented to the consolidated income statement in the period in which they arise.

Liability component of a convertible instrument is classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries and associates only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Current and deferred income tax (Continued)

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.23 Employee benefits

(a) Pension obligations

Employees of the Group in Hong Kong are required to participate in a defined contribution scheme as defined in mandatory provident fund scheme ("MPF Scheme"). The assets of the MPF Scheme are held separately from those of the Group under independently administered funds. Contributions to the schemes by the employers and employees are calculated as a percentage of employees' basic salaries. Under the MPF Scheme, each of the company (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and the employee are subject to a cap of HK$1,250 and thereafter contributions are voluntary. The Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

Employees of the Group in the People's Republic of China ("PRC") are required to participate in defined contribution retirement schemes administered and operated by municipal governments. The Group's subsidiaries in the PRC contribute funds to the retirement scheme to fund the retirement benefits of the employees which are calculated on certain percentage of the average employee salary as agreed by the municipal government. Such retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

The Group has no further obligations for the actual payment of post-retirement benefits beyond the contributions.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick and maternity leave are not recognised until the time of leave.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.24 Share-based payments

(a) Equity-settled share-based payment transactions

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options, shares and convertible notes) of the Company. The fair value of the employee services received in exchange for the grant of the options, shares and convertible notes is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(b) Cash-settled share-based payment transactions

For cash-settled share-based payment transactions, the Group measures the services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

(c) Share-based payment transactions among group entities

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.26 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of electricity

Revenue arising from the sale of electricity is recognised in the accounting period when electricity is generated and transmitted.

(b) Tariff adjustment

Tariff adjustment represents subsidy received and receivable from the government authorities in respect of the Group's solar power plant business. Tariff adjustment is recognised at its fair value where there is a reasonable assurance that the additional tariff will be received and the Group will comply with all attached conditions, if any.

(c) Sales of goods and scrap materials – solar energy related goods

Revenue from sale of solar energy related goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(d) Trademark licensing income and guaranteed electricity fee income

Trademark licensing income and electricity fee guarantee income are recognised on an accruals basis in accordance with the substance of the relevant agreements.

(e) Rental income

Operating lease rental income is recognised on a straight-line basis over the period of the lease.

Notes to the Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Revenue recognition (Continued)

(f) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.27 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.28 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight- line basis over the expected lives of the related assets.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Company under policies approved by the Board of Directors of the Company.

(a) Market risk

(i) Foreign exchange risk

The Group operates in Hong Kong and Mainland China and most of their transactions are denominated in Hong Kong dollar ("HK$"), Renminbi ("RMB") and United States dollar ("US$"). The Group is exposed to foreign exchange risk primarily through sales, purchases, capital expenditure and expenses transactions that are denominated in a currency other than the functional currency.

The Group is exposed to foreign exchange risk mainly to the extent of its cash, trade and other receivables, trade and bills payable and bank borrowings denominated in HK$, RMB and US$.

The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. The Group is presently not using any forward exchange contract to hedge against foreign exchange risk as management considers its exposure is not significant.

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

At 31 December 2013, if RMB had strengthened/weakened by 5% (2012: 5%) with all other variables held constant, loss for the year would have been approximately be HK$5,570,000 higher/lower (2012: HK$362,000 higher/lower) mainly as a result of net foreign exchange losses/gains on translation of deposits in banks, trade and other receivables, trade and bills payable and bank borrowings.

At 31 December 2013, if US$ had strengthened/weakened by 5% (2012: 5%) with all other variables held constant, loss for the year would have been approximately be HK$9,118,000 higher/lower (2012: HK$349,000 higher/lower) mainly as a result of net foreign exchange losses/gains on translation of deposits in banks, trade and other receivables, trade and bills payable and bank borrowings.

In addition, the conversion of RMB into foreign currencies is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

(ii) Price risk

As the Group purchases solar wafer plates, a silicon-based product, for its manufacturing process, it is exposed to fluctuation in its market price. The Group does not use any derivative instruments to reduce its economic exposure to the change in price of silicon.

(iii) Cash flow and interest rate risk

The Group's interest rate risk mainly arises from interest-bearing borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk whilst borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group adopts a policy of maintaining an appropriate mix of fixed and floating rate borrowings which is achieved primarily through the contractual terms of borrowings. The position is regularly monitored and evaluated by reference of anticipated changes in market interest rate. The Group did not use any interest rate swap to hedge its interest rate risk during the year.

Except for the cash held at bank, the Group has no significant interest bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate any significant impact resulting from changes in interest-bearing assets.

At 31 December 2013, if interest rates on borrowings had been 50 basis points (2012: 50 basis points) higher/lower with all other variables held constant, post-tax loss for the year would have been approximately HK$4,973,000 (2012: HK$412,000) higher/lower mainly as a result of higher/lower interest expense on floating rate borrowings.

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

Credit risk arises if a customer or other counterparty fails to meet its contractual obligations. The credit risk of the Group mainly arises from trade and other receivable and deposits with banks and financial institutions.

For sales under the Solar Cells segment, it is the Group's policy that all overseas customers who trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. Most of the PRC customers are required to pay deposits or settle in full upon delivery and therefore, the Group's exposure to bad debts is mitigated.

The Group have concentration of credit risk from its "Solar Power Plants" segment, as all of its trade receivables as at 31 December 2013 were due from one single customer. Given the regular repayment track record, the directors are of the opinion that the risk of default by this customer is not significant.

The Group also have concentration of credit risks from its "Solar Cells" segment, as 95% (2012: 53%) of its trade receivables as at 31 December 2013 were due from two (2012: two) customers.

The Group believes that adequate provision for doubtful debts has been made in the consolidated financial statements. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in their impairment assessments.

The Group has policies that limit the amount of credit exposure to any financial institutions. Substantially all the deposits in banks are held in reputable financial institutions located in Hong Kong and the PRC, which management believes are of high credit quality and management does not expect any losses arising from non-performance by these counterparties.

(c) Liquidity risk

Cash flow forecasts are prepared by management. Management monitors rolling forecasts on the Group's liquidity requirements to ensure the Group maintains sufficient liquidity reserve to support sustainability and growth of the Group's business. Currently, the Group finances its working capital requirements through funds generated from operations, issuance of new shares, bank borrowings and convertible notes.

Management monitors rolling forecasts of the Group's liquidity reserve which comprises undrawn borrowing facilities (Note 30 (d)) and cash and bank balances (Note 23) on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group

	Less than 1 year HK$'000	Between 1 year to 2 years HK$'000	Between 2 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2013					
Trade, bills and other payables	1,154,697	–	–	–	1,154,697
Amounts due to shareholders	26,200	–	–	–	26,200
Amount due to an associate	18,442	–	–	–	18,442
Short-term borrowings and interest payable	190,928	–	–	–	190,928
Loan from a third party	127,189	–	–	–	127,189
Long-term borrowings and interest payable	107,038	102,873	314,648	540,552	1,065,111
Convertible notes issued on 25 October 2010	–	50,700	–	–	50,700
Series A convertible notes	–	–	312,484	–	312,484
US$120 million convertible notes	46,520	46,520	1,291,981	–	1,385,021
HK$233 million convertible notes	–	–	232,959	–	232,959
	1,671,014	200,093	2,152,072	540,552	4,563,731
At 31 December 2012					
Trade, bills and other payables	488,686	–	–	–	488,686
Amounts due to shareholders	–	26,000	–	–	26,000
Short-term bank borrowings and interest payable	101,322	–	–	–	101,322
Convertible notes issued on 25 October 2010	–	–	850,000	–	850,000
	590,008	26,000	850,000	–	1,466,008

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Company

	Less than 1 year HK$'000	Between 1 year to 2 years HK$'000	Between 2 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
At 31 December 2013					
Other payables	7,321	–	–	–	7,321
Amounts due to shareholders	21,000	–	–	–	21,000
Amount due to a subsidiary	5,000	–	–	–	5,000
Convertible notes issued on 25 October 2010	–	50,700	–	–	50,700
Series A convertible notes	–	–	312,484	–	312,484
US$120 million convertible notes	46,520	46,520	1,291,981	–	1,385,021
HK$233 million convertible notes	–	–	232,959	–	232,959
	79,841	97,220	1,837,424	–	2,014,485
At 31 December 2012					
Other payables	50	–	–	–	50
Amounts due to shareholders	–	21,000	–	–	21,000
Convertible notes issued on 25 October 2010	–	–	850,000	–	850,000
	50	21,000	850,000	–	871,050

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic condition. In order to maintain or adjust the capital structure, the Group may issue new shares, sell assets, obtain bank borrowings or shareholders loans to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total assets. Net debt is calculated as total borrowings (including current and non-current bank borrowings, loan from a third party, amounts due to shareholders and convertible notes as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management (Continued)

The gearing ratios at 31 December 2013 and 2012 were as follows:

	2013 HK$'000	2012 HK$'000
Bank borrowings	1,088,987	98,765
Loan from a third party	127,189	–
Amounts due to shareholders	26,200	26,000
Convertible notes	1,235,912	652,665
	2,478,288	777,430
Less: cash and cash equivalents	(137,413)	(32,297)
Net debt	2,340,875	745,133
Total equity	449,921	223,972
Total capital	2,790,796	969,105
Gearing ratio	83.9%	76.9%

The increase in gearing ratio as at 31 December 2013 was mainly due to issuance of convertible notes during the year (Note 26) and the bank borrowings assumed as part of the acquisition of CSPG (Note 34).

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2013. See Note 16 for disclosures of the investment properties that are measured at fair value.

	Level 3 HK$'000
Assets	
Financial assets at fair value through profit and loss	
– Guaranteed electricity income (Note 34(h))	94,005
Liabilities	
Contingent consideration payables (Note 34(b))	1,244,461
Derivatives	
– Put option issued in relation to acquisition of an associate (Note 19)	163,782
Derivatives in respect of the USD120 million convertible notes (Note 26)	258,501

The following table presents the Group's financial assets that are measured at fair value at 31 December 2012.

	Level 3 HK$'000
Assets	
Available-for-sale financial assets	
– Equity securities (CSPG) (Note 20)	219,240

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Discounted cash flows analysis are used to determine fair value of the guaranteed electricity income and CSPG.
- See relevant disclosures of fair valuation of contingent consideration payables (Note 34), put options issued in relation to acquisition of an associate (Note 19) and derivatives of the US$120 million convertible notes (Note 26).

There were no significant transfers of financial assets between level 1, level 2 and level 3 fair value hierarchy classifications.

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2013.

	Financial asset at fair value through profit or loss HK$'000	Available-for-sale financial assets HK$'000	Contingent consideration payables HK$'000	Financial liabilities at fair value through profit or loss – Put option HK$'000	Derivatives of US$120 million convertible notes HK$'000
Opening balance	–	219,240	–	–	–
Fair value loss recognised in equity	–	(500)	–	–	–
Acquisition of subsidiaries (Note 34)	188,312	(218,740)	1,287,739	–	–
Acquisition of an associate (Note 19)	–	–	–	163,782	–
Issuance of USD120 million convertible notes	–	–	–	–	413,408
Fair value change recognised in profit or loss	(100,589)	–	(43,278)	–	(154,907)
Exchange difference	6,282	–	–	–	–
Closing balance	94,005	–	1,244,461	163,782	258,501
Total losses for the year included in profit or loss for assets held at the end of the reporting period	(100,589)	–	–	–	–
Change in unrealised gain or (losses) for the year included in profit or loss at the end of the year	(100,589)	–	43,278	–	154,907

Notes to the Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2012.

	Available-for-sale financial assets HK$'000
Opening balance	–
Transfers into level 3	20,844
Gains recognised in other comprehensive income	198,396
Closing balance	219,240
Total gains for the period including in profit or loss for assets held at the end of the reporting period	198,396
Change in unrealised gain or losses for the year included in profit or loss at end of year	198,396

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Purchase accounting

Accounting for acquisitions require the Group to allocate the cost of acquisition to specific assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. In connection with the acquisition of CSPG (Note 34), the Group has undertaken a process to identify all assets and liabilities acquired, including acquired intangible assets. Judgements made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset's useful lives, could materially impact the calculation of goodwill and depreciation and amortisation charges in subsequent periods. Estimated fair values are based on information available near the acquisition date and on expectations and assumptions that have been deemed reasonable by management. Determining the estimated useful lives of tangible and intangible assets acquired also requires judgement.

Notes to the Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(b) Impairment of intangible asset, including goodwill

The Group conducts reviews for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates. Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations.

During the year, the Group recognised an immediate goodwill impairment of approximately HK$1,205,018,000 arising from the acquisition of CSPG (Note 34). Further, due to recent changes in government policies and potential delay in certain solar energy projects of the Group, the Group recognised an impairment charge of approximately HK$819,145,000 on concession rights acquired by the Group as part of its acquisition of CSPG (Note 17).

During the year ended 31 December 2012, the Group recognised a goodwill impairment charge of approximately HK$612,788,000 arising from its Solar Cells segment, as a result of the poor market conditions in the solar energy market (Note 17).

(c) Impairment of property, plant and equipment

The Group conducts impairment reviews on property, plant and equipment when events of changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognised when the carrying amount of an asset is lower than the greater of its net selling price or the value in use. In determining the value in use, management assess the present value of the estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Estimates and judgements are applied in determining these future cash flows and the discount rate.

(d) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Notes to the Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

(e) Fair vales of contingent consideration payables and other financial instruments

The fair value of contingent consideration payables and financial assets at fair value through profit or loss is determined by using valuation techniques (Note 34). The Group uses its judgement to select a variety of methods and make assumptions, including the discount rates and fair value of the Company's shares, which are mainly based on market conditions existing at the end of each reporting period. Changes in assumption used could materially affect the fair value of these balances and as a result affect the Group's financial condition and results of operation.

(f) Provision for income taxes

The Group is subject to income taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to temporary differences and tax losses are recognised when management expects it is probable that future taxable profits will be available to utilise against the temporary difference or tax losses. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets in the period in which such estimates have been changed.

5 REVENUE AND TARIFF ADJUSTMENT

The Group is principally engaged in manufacturing, sale of solar energy related products and development, investment, operation and management of solar power plants. Revenue consists of the following:

	2013 HK$'000	2012 HK$'000
Sales of solar energy related products	298,049	213,269
Sales of electricity	15,650	–
Trademark licensing income	–	10,000
Total revenue	313,699	223,269
Tariff adjustment	23,879	–
	337,578	223,269

6 SEGMENT INFORMATION

The Chief Operation Decision-Maker ("CODM") has been identified as the Board of Directors of the Company. CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

During the year, the Group acquired CSPG, which is principally engaged in the provision of solar energy related products and solutions and development, investment, operation and management of solar power plants. Subsequent to the acquisition, the Group has two reportable segments: (a) Solar Power Plants and (b) Solar Cells.

Notes to the Financial Statements

6 SEGMENT INFORMATION (Continued)

As at 31 December 2013 and 2012, all of the Group's land use rights, property, plant and equipment and investment properties are located in Mainland China.

For the year ended 31 December 2013, there were three customers (2012: two customers) who individually contributed over 10% of the total revenue. The total revenue contributed by these customers approximated to HK$294,462,000 (2012: HK$68,879,000). Two customers belong to the "Solar Cells" segment and one customer belongs to the "Solar Power Plants" segment.

For the year ended 31 December 2013

	Solar Power Plants HK$'000	Solar Cells HK$'000	Corporate function HK$'000	Total HK$'000
Revenue	15,650	298,049	–	313,699
Tariff adjustment	23,879	–	–	23,879
	39,529	298,049	–	337,578
Operating (loss)/profit	(2,355,300)	(109,134)	161,785	(2,302,649)
Finance costs – net	(41,604)	(16,729)	(115,174)	(173,507)
Share of loss of an associate	–	(1,019)	–	(1,019)
Income tax credit	168,000	3,715	–	171,715
(Loss)/profit attributable to owners of the Company	(2,228,904)	(123,167)	46,611	(2,305,460)
Other information:				
Depreciation and amortisation	(33,318)	(52,970)	–	(86,288)
Impairment charge on goodwill	(1,205,018)	–	–	(1,205,018)
Impairment charge on concession rights	(819,145)	–	–	(819,145)
Fair value loss on put option issued relating to acquisition of an associate	(163,782)	–	–	(163,782)
Fair value gain on previously held interests in CSPG as a result of business combination	–	–	197,896	197,896
Capital expenditure	7,978	76,388	–	84,366

Notes to the Financial Statements

6 SEGMENT INFORMATION (Continued)

For the year ended 31 December 2012

	Solar Cells HK$'000	Corporate function HK$'000	Total HK$'000
Revenue	213,269	10,000	223,269
Operating loss	(728,396)	(19,340)	(747,736)
Finance costs – net	(6,350)	(58,606)	(64,956)
Share of loss of an associate	(667)	–	(667)
Income tax expense	(1,442)	–	(1,442)
Loss attributable to owners of the Company	(736,855)	(77,946)	(814,801)
Other information:			
Depreciation and amortisation	(41,770)	(46)	(41,816)
Impairment charge on goodwill	(612,788)	–	(612,788)
Capital expenditure	220,242	–	220,242

As at 31 December 2013

	Solar Power Plants HK$'000	**Solar Cells HK$'000**	**Corporate function HK$'000**	**Total HK$'000**
Total assets	**4,488,340**	**1,472,821**	**29,702**	**5,990,863**
Total liabilities	**(3,626,888)**	**(872,392)**	**(1,041,662)**	**(5,540,942)**

As at 31 December 2012

	Solar Cells HK$'000	Corporate function HK$'000	Total HK$'000
Total assets	1,369,986	235,441	1,605,427
Total liabilities	(927,054)	(454,401)	(1,381,455)

Notes to the Financial Statements

7 OTHER INCOME AND OTHER LOSS, NET

	2013 HK$'000	2012 HK$'000
Other income		
Rental income	1,762	558
Government subsidies	10,162	4,155
Others	512	1,566
	12,436	6,279
Other loss, net		
Fair value gain/(loss) on investment properties	37	(469)
Fair value gain on contingent consideration payables (Note 34)	43,278	–
Fair value loss on financial assets at fair value through profit or loss	(100,589)	–
Exchange losses	(2,478)	(228)
Revaluation loss of buildings prior to transfer to investment properties (Note 16)	(7,194)	–
	(66,946)	(697)

8 EXPENSES BY NATURE

	2013 HK$'000	2012 HK$'000
Raw materials used and changes in inventories of finished goods and work in progress	295,644	188,297
Provision for inventories obsolescence	1,698	11,490
Provision for doubtful debt (Note 21)	12,803	9,028
Amortisation of land use rights (Note 14)	3,302	3,173
Depreciation of property, plant and equipment (Note 15)	82,986	38,643
Staff costs (including Directors' emoluments) (Note 9 (a))	122,262	34,303
Auditor's remuneration	2,906	1,562
Loss on disposal of property, plant and equipment (Note 32(b))	188	4
Operating leases rentals in respect of land and buildings		
– Minimum lease payments under operating leases	1,625	3,935
Legal and professional fees	16,582	12,115
Rental and building management fee	5,453	4,777
Utilities	15,271	25,569
Insurance	623	877
Transportation	2,922	2,260
Repair and maintenance	10,034	1,118
Other expenses	21,369	26,648
Total cost of sales, distribution costs and administrative expenses	595,668	363,799

Notes to the Financial Statements

9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

(a) Employee benefit expenses

	2013 HK$'000	2012 HK$'000
Salaries, wages and bonuses	56,808	30,748
Contributions to retirement contribution plan	230	101
Social security costs	1,605	3,135
Severance payments	–	57
Share-based payment expenses	63,619	262
	122,262	34,303

(b) Directors' emoluments

The emoluments paid or payable to each of directors were as follows:

	Fees HK$'000	Salaries, allowance and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Share-based payment expenses HK$'000	Total HK$'000
Year ended 31 December 2013					
Executive director:					
Mr. Li, Alan (ii)	112	1,333	9	6,362	7,816
Mr. Lu Zhenwei (ii)(viii)	–	–	–	–	–
Ms. Lin Xia Yang (vi)	–	185	–	–	185
Mr. Lam Ho Fai (vii)	–	1,409	15	–	1,424
Mr. Yiu Ka So (vii)	243	884	15	–	1,142
	355	3,811	39	6,362	10,567
Non-executive director:					
Academician Yao Jiannian	200	–	–	–	200
Mr. Yang Baiqian (ii)(vii)	–	–	–	–	–
Ms. Qiu Ping, Maggie (ii)	112	471	6	2,545	3,134
Mr. Wu Zhenmian (iii)	83	–	–	–	83
Mr. Chiang Chao-Juei (iv)	117	–	–	–	117
	512	471	6	2,545	3,534
Independent non-executive director:					
Mr. Kwan Kai Cheong	200	–	–	–	200
Mr. Ching Kwok Ho, Samuel	120	–	–	–	120
Mr. Yen Yuen Ho, Tony	200	–	–	–	200
Mr. Shi Dinghuan (ii)	112	–	–	–	112
Mr. Ma Kwong Wing (v)	67	–	–	–	67
Mr. Ip Shu Kwan, Stephen (i)	41	–	–	–	41
	740	–	–	–	740
Total	1,607	4,282	45	8,907	14,841

Notes to the Financial Statements

9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(b) Directors' emoluments (Continued)

	Fees HK$'000	Salaries, allowance and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Share-based payment expenses HK$'000	Total HK$'000
Year ended 31 December 2012					
Executive director:					
Ms. Lin Xia Yang (v)	–	200	–	–	200
Mr. Lam Ho Fai (vii)	–	1,040	14	–	1,054
Mr. Yiu Ka So (vii)	250	628	14	94	986
	250	1,868	28	94	2,240
Non-executive director:					
Academician Yao Jiannian	200	–	–	94	294
Mr. Chiang Chao-Juei (iv)	200	–	–	–	200
	400	–	–	94	494
Independent non-executive director:					
Mr. Ching Kwok Ho, Samuel	120	–	–	–	120
Mr. Ip Shu Kwan, Stephen (i)	200	–	–	74	274
Mr. Kwan Kai Cheong	200	–	–	–	200
Mr. Yen Yuen Ho, Tony	200	–	–	–	200
	720	–	–	74	794
Total	1,370	1,868	28	262	3,528

Note:

(i) Resigned on 15 March 2013

(ii) Appointed on 10 June 2013

(iii) Appointed on 1 August 2013

(iv) Resigned on 1 August 2013

(v) Appointed on 1 September 2013

(vi) Resigned on 3 December 2013

(vii) Resigned on 20 December 2013

(viii) Mr. Lu Zhenwei and Mr. Yang Baiqian agreed to waive their entitlement to director's fee for the period from 10 June 2013 (date of appointment as director) to 31 December 2013

9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(c) Five highest paid employees

Of the five individuals with the highest emoluments in the Group, two (2012: two) are directors of the Company, whose emoluments are included in the disclosure set out in Note 9(b) above. The emolument of the remaining three (2012: three) highest paid individual is as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other benefits	8,258	3,203
Retirement benefit scheme contributions	8	14
	8,266	3,217

The emoluments fell within the following bands:

	Number of individuals	
	2013	2012
Emolument bands (in HK dollar)		
HK$500,000–HK$1,000,000	–	2
HK$1,000,001–HK$1,500,000	–	–
HK$1, 500,001–HK$2,000,000	–	1
HK$2,000,001–HK$2,500,000	1	–
HK$2,500,001–HK$3,000,000	1	–
HK$3,000,001–HK$3,500,000	1	–

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. Save as disclosed in Note 9(b)(vii), none of the directors have waived any emoluments during the year (2012: Nil).

Notes to the Financial Statements

10 FINANCE COSTS, NET

	2013 HK$'000	2012 HK$'000
Finance income:		
Interest income on bank balances and deposits	1,826	1,629
Interest income from a shareholder	26,367	–
Subsequent fair value gain on derivatives of USD120 million convertible notes (Note 26)	154,907	–
	183,100	1,629
Finance costs:		
Interest expense on bank borrowings – wholly repayable within five years	(31,967)	(7,979)
Interest expense on bank borrowings – not wholly repayable within five years	(43,370)	–
Imputed interest expense on convertible notes (Note 26)	(102,987)	(58,606)
Day 1 fair value loss on issuance of USD120 million convertible notes (Note 26)	(164,688)	–
Amortisation of unrealised fair value loss of issuance of USD120 million convertible notes (Note 26)	(13,595)	–
	(356,607)	(66,585)
Finance cost, net	(173,507)	(64,956)

11 INCOME TAX (CREDIT)/EXPENSE

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group has no assessable profit derived from Hong Kong for the year (2012: Nil).

The Group's operations in Mainland China are subject to the PRC corporate income tax law of the People's Republic of China (the "PRC corporate income tax"). The standard PRC corporate income tax rate is 25%. During the year, two of the subsidiaries of the Group, namely Zhongli (Jiayuguan) Photovoltaic Power Co., Ltd. and Zhongli Gonghe Photovoltaic Power Co., Ltd have obtained the relevant preferential tax concession, which fully exempted from the PRC corporate income tax for the first three years, followed by a 50% tax exemption for the next three years.

The amount of tax (credited)/charged to the consolidated income statement represents:

	2013 HK$'000	2012 HK$'000
Current income tax		
– Corporate income tax in the PRC	–	–
– Under-provision in prior year	–	1,796
Deferred income tax	(171,715)	(354)
	(171,715)	1,442

Notes to the Financial Statements

11 INCOME TAX (CREDIT)/EXPENSE (Continued)

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2013 HK$'000	2012 HK$'000
Loss before income tax	(2,477,175)	(813,359)
Calculated at a tax rate of 16.5%	(408,734)	(134,204)
Effect of difference tax rates of subsidiaries operating in other jurisdictions	(142,035)	(10,198)
PRC tax concession	(8,729)	1,234
Expenses not deductible for tax purposes	436,643	108,114
Income not subject to tax	(78,343)	(20,006)
Temporary differences not recognised	(4,217)	(5,001)
Tax loss for which no deferred income tax amount was recognised	33,700	59,707
Under-provision in prior year	–	1,796
Income tax (credit)/charge	(171,715)	1,442

12 LOSS ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Loss attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of HK$2,435,229,000 (2012: HK$567,609,000).

13 LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2013	2012
Loss attributable to owners of the Company (HK$'000)	2,304,986	814,801
Weighted average number of ordinary shares in issue (thousand shares)	1,671,027	872,821
Basic loss per share (HK cents)	137.94	93.35

13 LOSS PER SHARE (Continued)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares: convertible notes, share options and EIS. The convertible notes are assumed to have been converted into ordinary shares, and the net loss is adjusted to eliminate the interest expense, fair value change less the tax effect. For share options and EIS, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and EIS. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and EIS.

Diluted loss per share for the year ended 31 December 2013 is the same as the basic loss per share as the conversion of potential ordinary shares in relation to the outstanding convertible notes, share options and EIS would have anti-dilutive effects to the basic loss per share (2012: same).

14 LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book value is analysed as follows:

	2013 HK$'000	2012 HK$'000
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**141,457**	139,909

	2013 HK$'000	2012 HK$'000
Net book value at 1 January	**139,909**	143,082
Acquisition of subsidiaries (Note 34)	**645**	–
Amortisation	**(3,302)**	(3,173)
Exchange difference	**4,205**	–
Net book value at 31 December	**141,457**	139,909

Notes to the Financial Statements

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Power generators and equipment HK$'000	Plant and machinery HK$'000	Furniture, Fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in-progress HK$'000	Total HK$'000
At 1 January 2012								
Cost	72,964	11,547	–	328,426	13,484	6,422	315,629	748,472
Accumulated depreciation	(4,738)	(11,547)	–	(40,975)	(10,793)	(4,849)	–	(72,902)
Net book amount	68,226	–	–	287,451	2,691	1,573	315,629	675,570
Year ended 31 December 2012								
Opening net book amount	68,226	–	–	287,451	2,691	1,573	315,629	675,570
Additions	–	–	–	323	167	–	219,752	220,242
Disposals	–	–	–	–	(4)	–	–	(4)
Transfer	–	–	–	8,489	–	–	(8,489)	–
Depreciation charge	(3,670)	–	–	(33,496)	(1,065)	(412)	–	(38,643)
Closing net book amount	64,556	–	–	262,767	1,789	1,161	526,892	857,165
At 31 December 2012								
Cost	72,964	11,547	–	337,238	13,647	6,422	526,892	968,710
Accumulated depreciation	(8,408)	(11,547)	–	(74,471)	(11,858)	(5,261)	–	(111,545)
Net book amount	64,556	–	–	262,767	1,789	1,161	526,892	857,165
Year ended 31 December 2013								
Opening net book amount	64,556	–	–	262,767	1,789	1,161	526,892	857,165
Acquisition of subsidiaries (Note 34)	26,981	–	1,628,264	3,749	1,855	1,243	3,699	1,665,791
Additions	445	–	8,814	2,100	837	13	72,157	84,366
Disposals	–	–	–	–	(33)	(84)	(71)	(188)
Transfer	119,156	–	225,464	–	166	–	(344,786)	–
Transfer to investment properties (Note 16(d))	(41,702)	–	–	–	–	–	–	(41,702)
Revaluation surplus upon transfer to investment properties (Note 16(d))	3,211	–	–	–	–	–	–	3,211
Revaluation loss prior to transfer to investment properties (Note 16(d))	(7,194)	–	–	–	–	–	–	(7,194)
Depreciation charge	(5,674)	–	(35,514)	(40,333)	(1,026)	(439)	–	(82,986)
Exchange difference	2,928	–	61,258	7,314	18	21	11,561	83,100
Closing net book amount	162,707	–	1,888,286	235,597	3,606	1,915	269,452	2,561,263
At 31 December 2013								
Cost	190,604	11,547	1,924,963	382,798	9,723	3,775	269,452	2,792,862
Accumulated depreciation and impairment	(27,897)	(11,547)	(36,677)	(147,201)	(6,117)	(1,860)	–	(231,299)
Net book amount	162,707	–	1,888,286	235,597	3,606	1,915	269,452	2,561,563

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation of the Group's property, plant and equipment has been charged to the consolidated statement of comprehensive income as follows:

	2013 HK$'000	2012 HK$'000
Cost of sales	72,175	23,230
Distribution costs	–	8,400
Administrative expenses	10,811	7,013
	82,986	38,643

As 31 December 2013, buildings and power generators equipment with carrying values of approximately HK$136,270,000 (2012: HK$64,556,000) and HK$1,389,202,000 (2012: Nil), respectively, were pledged as security for the Group's bank borrowings (Note 30).

16 INVESTMENT PROPERTIES

	2013 HK$'000	2012 HK$'000
Fair value at 1 January	5,901	6,370
Fair value gain/(loss)	37	(469)
Transfer from property, plant and equipment (Note (d))	41,702	–
Exchange difference	845	–
Fair value at 31 December	48,485	5,901

Notes:

(a) The investment properties were revalued at 31 December 2013 by independent and professional qualified valuer, American Appraisal China Limited. Valuation is based on current prices in an active market.

(b) The Group's interests in investment properties, held in the PRC on leases of between 10 to 50 years.

(c) The following amounts have been recognised in the consolidated income statement:

	2013 HK$'000	2012 HK$'000
Rental income	1,762	558
Direct operating expense relating to investment properties	(124)	(68)

As at 31 December 2013, the Group had no unprovided contractual obligations for future repairs and maintenance (2012: Nil).

(d) During the year, the Group has entered into certain leasing agreements with third parties for properties originally classified as owner-occupied property with net book value of approximately HK$41,702,000 (Note 15). Revaluation has been made on property-by-property basis. Upon the transfer, revaluation loss of approximately HK$7,194,000 (Note 7) was recognised in the consolidated income statement. Revaluation gain of approximately HK$3,211,000 was recognised in equity.

(e) At 31 December 2013, investment properties of approximately HK$48,485,000 (2012: HK$5,901,000) were pledged as security for the Group's bank borrowings (Note 30).

Notes to the Financial Statements

16 INVESTMENT PROPERTIES (Continued)

The following table analyses the investment properties carried at fair value, by valuation method:

Fair value hierarchy

	Fair value measurement at 31 December 2013 using		
Description	Quoted prices in active markets for identical assets (Level 1) HK$'000	Significant other observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000
Recurring fair value measurements			
Investment properties:			
– Plant units – the PRC	–	–	48,485

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Levels 1, 2 and 3 during the year.

Valuation processes of the Group

The Group's investment properties were valued at 31 December 2013 by independent professional qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the chief financial officer (CFO). Discussions of valuation processes and results are held between the CFO, the valuation team and valuers at least once every six months, in line with the Group's interim and annual reporting dates. As at 31 December 2013, the fair values of the properties have been determined by American Appraisal China Limited.

At each financial year end the finance department:

- Verifies all major inputs to the independent valuation report;

- Assess property valuations movements when compared to the prior year valuation report;

- Holds discussions with the independent valuer.

Changes in Level 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the CFO and the finance team. As part of this discussion, the team discusses the reasons for the fair value movements.

Notes to the Financial Statements

16 INVESTMENT PROPERTIES (Continued)

Valuation techniques

For the PRC office units, the valuation was determined using the sale comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot.

There were no changes to the valuation techniques during the year.

17 INTANGIBLE ASSETS

	Goodwill HK$'000	Concession rights HK$'000	Unfinished sales contracts HK$'000	Total HK$'000
At 1 January 2012				
Cost	612,788	–	10,227	623,015
Accumulated amortisation and impairment	–	–	(10,227)	(10,227)
Net book amount	612,788	–	–	612,788
Year ended 31 December 2012				
Opening net book amount	612,788	–	–	612,788
Impairment charge (Note (iii))	(612,788)	–	–	(612,788)
Closing net book amount	–	–	–	–
At 31 December 2012				
Cost	–	–	10,227	10,227
Accumulated amortisation and impairment	–	–	(10,227)	(10,227)
Net book amount	–	–	–	–
Year ended 31 December 2013				
Opening net book amount	–	–	–	–
Acquisition of subsidiaries (Note 34)	1,205,018	2,447,995	–	3,653,013
Impairment charge (Note (i) & (ii))	(1,205,018)	(819,145)	–	(2,024,163)
Exchange difference	–	19,145	–	19,145
Closing net book amount	–	1,647,995	–	1,647,995
At 31 December 2013				
Cost	–	2,467,140	10,227	2,477,367
Accumulated amortisation and impairment	–	(819,145)	(10,227)	(829,372)
Net book amount	–	1,647,995	–	1,647,995

Notes to the Financial Statements

17 INTANGIBLE ASSETS (Continued)

Goodwill is allocated to the Group's CGU identified according to operating segment. During the year, goodwill of HK$1,205,018,000 and full impairment was recognised in relation to the acquisition of CSPG (Note 34). The recoverable amount of a CGU is determined based on the higher of the fair value less costs to sell and value-in-use calculation.

Notes:

(i) For the purposes of purchase price allocation, the recoverable amount calculations use cash flow projections based on financial budgets approved by management for the purposes of impairment reviews covering the useful lives of the underlying assets. The key assumptions used in calculating the recoverable amount of the CGU on completion of the acquisition in 2013, using the discounted cash flow method, were as follows:

Capacity	2.2 GW
Insolation hours (Geographical)	1,370MWh/MWp-1,800MWh/MWp
Degradation factor	0.8% per annum
Electricity tariff	RMB0.7/KWh-RMB3.7/KWh
Discount rate	8.5%-10.0%

Goodwill represents the excess of the fair value of the consideration transferred over the fair value of the net identifiable assets acquired. On the date of completion, the fair value of the shares and convertible notes transferred of approximately HK$3,409,436,000 was based on the closing price of the Company's shares of HK$1.52 per share on 10 June 2013 (Note 34). The fair value of the net identifiable assets recognised, which also represents the recoverable amount of the underlying business, was estimated to be approximately HK$2,206,683,000, with reference to a separate valuation report prepared by an independent valuer. Goodwill recognised of approximately HK$1,205,018,000 was considered to be immediately impaired by the management.

(ii) The Group recognised concession rights of approximately HK$2,447,995,000 upon the acquisition of CSPG in June 2013. In the second half of 2013, there have been policy changes as to the subsidy and on-grid price for the solar power plants in China. On 30 August 2013, the National Development and Reform Commission of China released the "Notice on Leveraging the Price for the Development of the Solar Energy Industry" (the "New Tariff Notice") to launch a new subsidising policy for distributed solar PV power plants and adjust benchmark on-grid price for electricity generated by centralised solar PV power plants. In particular, among other things, according to the New Tariff Notice, (i) for the distributed solar PV stations, the standard subsidy for electricity generated will be RMB0.42/KWh; (ii) for the centralised solar PV plants, the benchmark on-grid price will be set at RMB0.9/KWh, RMB0.95/KWh and RMB1.0/KWh for the projects in energy zone I, II and III respectively which are categorised based on local solar energy resources and generating plant construction costs; and (iii) the new standards will apply to the PV power stations registered after 1 September 2013 and those registered before 1 September 2013 but which will not start generating electricity until after 1 January 2014. As at 31 December 2013, the Group revised its cash flow forecasts of cash-generating unit accordingly, based on the revision of government policy and the progress on the financing and acquisition status, and an impairment of approximately HK$819,145,000 on concession rights was recognised during the year ended 31 December 2013.

The key assumptions used for the calculation are as follows:

Capacity	2.2 GW
Insolation hours (Geographical)	1,370MWh/MWp-1,680MWh/MWp
Degradation factor	0.8% per annum
Electricity tariff	RMB0.7/KWh-RMB3.7/KWh
Discount rate	8.5%-10.0%

(iii) During the year ended 31 December 2012, an impairment charge on goodwill allocated to Solar Cells segment of approximately HK$612,788,000 was recognised in the consolidated income statement as a result of the poor market conditions in the solar energy market. In particular, the market price of solar photovoltaic cells dropped significantly during the year and the Group has decided to further postpone its expansion plan.

Notes to the Financial Statements

18 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	**5,604,224**	2,194,788
Amounts due from subsidiaries	**229,983**	229,983
Capital contribution relating to share-based payment (Note 20(g))	**49,810**	–
	5,884,017	2,424,771
Less: Impairment losses	**(3,921,320)**	(1,577,747)
	1,962,697	847,024

The capital contribution relating to share based payment relates to EIS granted by the Company to employees of subsidiary undertakings in the Group. Refer to Note 24(g) for further details on the Group's EIS.

As a result of acquisition of CSPG during the year (Note 34), interests in subsidiaries increased by HK$3,409,436,000 during the year. However, interests in subsidiaries with a carrying amount of HK$2,343,573,000 was considered impaired by management during the year ended 31 December 2013. Please refer to Note 17 for further details.

(a) Particulars of the principal subsidiaries as at 31 December 2013 are as follows:

Name of company	Place of incorporation/ registration and operation	Particulars of issued share capital/registered capital	Proportion of issued share capital/registered capital held by the Company		Principal activities
			Directly	Indirectly	
Fortune Arena Limited	British Virgin Islands	US$1	100%	–	Investment holding
Profit Icon Investments Limited	British Virgin Islands	US$1	100%	–	Investment holding
China Solar Power Group Limited	British Virgin Islands	US$575,000	–	100%	Investment holding
China Technology New Energy Ltd	British Virgin Islands	US$1	–	100%	Possession of exclusive rights in developing rooftop solar plants
New Light Technology Limited	Hong Kong	HK$10,000	–	100%	Investment holding
Union Photovoltaics (Changzhou) Investment Limited	The PRC	HK$1,012,281,090	–	100%	Investment holding

Notes to the Financial Statements

18 INTERESTS IN SUBSIDIARIES (Continued)

(a) (Continued)

Name of company	Place of incorporation/ registration and operation	Particulars of issued share capital/registered capital	Proportion of issued share capital/registered capital held by the Company		Principal activities
			Directly	Indirectly	
Zhongli (Jiayuguan) Photovoltaic Power Co., Limited	The PRC	RMB271,785,558	–	100%	Investment, construction, operation, maintenance and management of solar power plants
Zhongli Gonghe Photovoltaic Power Co., Limited	The PRC	RMB10,000,000	–	100%	Investment, construction, operation, maintenance and management of solar power plants
Union Photovoltaics (Shenzhen) Limited	The PRC	HK$150,000,000	–	100%	Design and installation of solar power systems, research and development of solar power products and solar technology
China Merchants Zhangzhou Development Zone Trendar Solar Tech Limited	The PRC	RMB500,000	–	91.6%	Research and development of new energy technology
Goldpoly International Limited	British Virgin Islands	US$1,000	–	100%	Investment holding
Goldpoly New Energy Technology Company Limited	Hong Kong	HK$200	–	100%	Investment holding
Goldpoly (Quanzhou) Science & Technology Industry Company Limited	The PRC	Registered: US$80,000,000 Paid up: US$72,999,980	–	100%	Manufacturing of electronic components, solar silicon cell and related products

The English names of certain subsidiaries represent the best effort by the Group's management to translate their Chinese names, as these subsidiaries do not have official English names.

(b) The amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand.

Notes to the Financial Statements

19 INVESTMENTS IN ASSOCIATES

The amounts recognised in the balance sheet are as follows:

	2013 HK$'000	2012 HK$'000
As 1 January	4,456	5,123
Acquisition of Fengxian Huize	286,264	–
Share of losses	(1,019)	(667)
Exchange difference	118	–
As 31 December	289,819	4,456

On 27 December 2013, the Group completed the acquisition of a 50% equity interest in Fengxian Huize Photovoltaics Energy Limited ("Fengxian Huize") at a consideration of RMB225,000,000 (equivalent to approximately HK$286,176,000).

Pursuant to this acquisition, the Group granted a put option to Huabei Expressway Co. Ltd ("Huabei Expressway"), the shareholder of the remaining 50% equity interest in Fengxian Huize ("Huabei Sales Interest"), to request the Group to acquire the Huabei Sales Interest at RMB225,000,000 (equivalent to approximately HK$286,176,000) with an return of 8% per annum, to be settled by way of cash or issuance of the Company's shares at the discretion of Huabei Expressway during a three-year period till December 2016 (the "Put Option"). The Put Option was recognised as a financial liability at fair value through profit or loss. The fair value loss of the Put Option was estimated to be approximately HK$163,782,000. On 13 March 2014, Huabei Expressway had confirmed in writing to the Company that it would not request the Group to acquire Huabei sales interest by way of cash before 31 May 2015.

The fair value of the Put Option was determined by using the binomial lattice model with the following key assumptions.

Risk free rate	4.42%
Dividend yield of Fengxian Huize	8%
Dividend yield of the shares of the Company	0%
Life of the option	3 years
Volatility	50%

Set out below is the particular of the principal associates of the Group as at 31 December 2013, which, in the opinion of the directors, is material to the Group.

Name of entity	Place of establishment/ business	% of ownership interest	Nature of business
Fengxian Huize	The PRC	50%	Development, investment, operation and management of solar power plants

19 INVESTMENTS IN ASSOCIATES (Continued)

* The English name of an associate represents the best effort by the Group's management to translate its Chinese name, as this associate does not have an official English name.

Fengxian Huize is a private company and there is no quoted market price available for its shares.

There are no contingent liabilities relating to the Group's interest in associates.

Summarised financial information for associates

Set out below are the summarised financial information for Fengxian Huize which is accounted for using the equity method.

Summarised balance sheet

	Fengxian Huize 2013 HK$'000
Current	
Cash and cash equivalents	5,904
Other current assets (excluding cash)	119,041
Total current assets	124,945
Financial liabilities (excluding trade payables)	(49,230)
Non-current	
Assets	456,809
Liabilities	(9,361)
Net assets	523,163

Note: No summarised statement of comprehensive income for Fengxian Huize is presented since the acquisition was completed on 27 December 2013.

The information above reflects the amounts presented in the financial statements of the associate (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associate.

Notes to the Financial Statements

20 AVAILABLE-FOR-SALE FINANCIAL ASSET

	2013 HK$'000	2012 HK$'000
At 1 January	219,240	–
Additions (Note 24 (b))	–	20,844
Fair value (loss)/gain recognised in other comprehensive income	(500)	198,396
Disposals (Note 34)	(218,740)	–
At 31 December	–	219,240

Available-for-sale financial assets as at 31 December 2012 represent unlisted shares stated at fair value. It represents approximately 8% equity interest in CSPG. The unlisted investment was revalued as at 31 December 2012 by American Appraisal China Limited, an independent and professional qualified valuer, which is based on cash flow discounted using a rate based on the market interest rate and the risk premium specific to the unlisted securities.

21 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Current				
Trade receivables	32,864	52,111	–	–
Less: Provision for impairment of trade receivables	(21,831)	(9,028)	–	–
Trade receivables – net	11,033	43,083	–	–
Tariff adjustment receivable	23,879	–	–	–
Trade and tariff adjustment receivables	34,912	43,083	–	–
Rental deposits	2,122	61	–	–
Value-added tax recoverable	63,902	29,523	–	–
Prepayments for raw materials	165,490	97,684	–	–
Amounts due from related companies	48,958	14,140		
Other deposits and prepayments	9,466	10,791	491	192
	324,850	195,282	491	192
Non-current				
Prepayments for purchase of plant and equipment	368,610	40,945	–	–
Deposits for acquisition	100,000	–	–	–
Value-added tax recoverable	93,908	–	–	–
	562,518	40,945	–	–
Total	887,368	236,227	491	192

Notes to the Financial Statements

21 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Amounts due from related companies are unsecured, interest-free and repayable on demand. During the year ended 31 December 2013, HK$9,078,000 of these balances have been settled.

The Group generally requires customers to pay deposits and settle in full upon delivery of goods. Credit period of one to three months is granted to some of its customers. The Group has set a maximum credit limit for each customer. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management of the Group.

The ageing analysis of trade and tariff adjustment receivables based on invoice date is as follows:

	2013 HK$'000	2012 HK$'000
Not yet due	33,434	18,663
1-30 days	1,291	3,468
31-60 days	–	–
Over 60 days	187	20,952
	34,912	43,083

As at 31 December 2013, trade and tariff adjustment receivables of approximately HK$187,000 (2012: HK$24,420,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2013 HK$'000	2012 HK$'000
1-30 days	–	3,468
31-60 days	–	–
Over 60 days	187	20,952
	187	24,420

As of 31 December 2013, trade receivables of approximately HK$21,831,000 (2012: HK$9,028,000) were impaired and provision was made accordingly. The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations. The ageing of these receivables is as follows:

	2013 HK$'000	2012 HK$'000
3 to 6 months	–	1,937
Over 6 months	12,803	1,083
Over 1 year	9,028	6,008
	21,831	9,028

Notes to the Financial Statements

21 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Movements on the Group provision for impairment of trade receivables are as follows:

	2013 HK$'000	2012 HK$'000
At 1 January	9,028	–
Provision for impairment of receivables	12,803	9,028
At 31 December	21,831	9,028

The carrying values of trade and tariff adjustment receivables, other receivables and deposits approximate their fair values due to their short maturities and are denominated in following currencies:

	2013 HK$'000	2012 HK$'000
RMB	867,544	224,226
US$	10,562	6,726
Euro	8,283	5,275
Others	979	–
	887,368	236,227

The maximum exposure to credit risk at the reporting date is the carrying value of each of the receivable mentioned above. The Group does not hold any collateral as security.

22 INVENTORIES

	2013 HK$'000	2012 HK$'000
Raw materials	3,394	4,318
Work in progress	1,545	262
Finished goods	3,832	24,233
	8,771	28,813

The cost of inventories recognised as an expense and included in "cost of sales" amounted to approximately HK$295,644,000 (2012: HK$188,297,000).

Notes to the Financial Statements

23 CASH AND BANK BALANCES, PLEDGED BANK DEPOSITS AND RESTRICTED CASH

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Pledged bank deposits	**150,737**	81,419	**–**	–
Restricted cash (Note 26(b))	**23,250**	–	**23,250**	–
Cash at bank and on hand	**137,413**	32,297	**3,606**	12,976
	311,400	113,716	**26,856**	12,976

Cash at banks earns interest at floating rates based on daily bank deposit rates. As at 31 December 2013, the weighted average effective interest rate on pledged bank deposits was approximately 1.2% (2012: 0.6%) per annum. These deposits had an average maturity period of 288 days (2012: 70 days).

Cash at bank and on hand, pledged bank deposits and restricted cash are denominated in the following currencies:

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
HK$	**103,436**	16,046	**3,606**	12,976
RMB	**184,095**	97,278	**–**	–
US$	**23,869**	392	**23,250**	–
	311,400	113,716	**26,856**	12,976

Pledged bank deposits have been pledged for trade finance facilities made available to the Group by the banks (Note 30).

As at 31 December 2013, the Group's bank balances of approximately HK$226,004,000 (2012: HK$97,420,000) are deposited with banks in the PRC. The remittance of these funds out of the PRC is subject to the rule and regulations of foreign exchange control promulgated by the PRC government.

Notes to the Financial Statements

24 SHARE CAPITAL

	Company			
	Number of shares		Share capital	
	2013	2012	2013 HK$'000	2012 HK$'000
Ordinary shares of HK$0.1 each				
Authorised:				
At 1 January	5,000,000,000	5,000,000,000	500,000	500,000
Increase in authorised share capital (Note (a))	5,000,000,000	–	500,000	–
At 31 December	10,000,000,000	5,000,000,000	1,000,000	500,000
Issued and fully paid:				
At 1 January	881,908,389	858,777,577	88,191	85,878
Issue of shares in relation to acquisition of available-for-sale financial assets (Note (b))	–	22,905,621	–	2,290
Issue of shares upon exercise of share options (Note (c))	2,225,191	225,191	222	23
Issue of shares on conversion of convertible notes (Note (d))	1,570,186,745	–	157,019	–
Issue of shares in relation to a business combination (Note 34)	939,452,250	–	93,945	–
Issue of shares to a trustee in relation to EIS (Note 24(g))	20,010,000	–	2,001	–
Issue of shares through placement (Note (e))	55,000,000	–	5,500	–
At 31 December	3,468,782,575	881,908,389	346,878	88,191

Notes:

(a) Pursuant to a shareholder's resolution passed on 29 May 2013, the authorised share capital was increased from HK$500,000,000 to HK$1,000,000,000 by the creation of an additional 5,000,000,000 ordinary shares of HK$0.1 each.

(b) On 23 May 2012, the Company issued and allotted 22,905,621 shares of HK$0.1 each for settlement of the consideration for acquisition of an available-for-sale financial asset (Note 20).

(c) During the year, 2,225,191 (2012: 225,191) shares were issued upon exercise of share options. Total net proceeds were approximately HK$2,245,000 (2012: HK$149,000). The weighted average exercise price was HK$1.0092 (2012: HK$0.6624) per share.

(d) During the year, the Company issued and allotted 1,570,186,745 shares of HK$0.1 each upon exercise of conversion rights associated with convertible notes issued on 25 October 2010. The conversion price was HK$0.507 per share.

(e) On 20 November 2013, the Company issued 55,000,000 shares through placement with a placing price of HK$1.70 each. The net proceeds from the placement were approximately HK$92,297,000.

Notes to the Financial Statements

24 SHARE CAPITAL (Continued)

Notes: (Continued)

(f) Share option

On 19 June 2012, at the annual general meeting, the Company adopted a share option scheme (the "Option Scheme"), which replaced the old share option scheme adopted on 10 September 2002, under which the board of directors may, at their discretion, invite any full time employees, directors of the Group or advisors or consultant to the Group, any provider or customer, shareholders of any member of the Group or any other person who as determined by the board of directors, has contribution to the Group, to subscribe for ordinary shares of the Company at any time during ten years from the date of adoption. By reason of voluntary resignation or by termination of employment in accordance with the provisions of employment contract, other than on redundancy, or because the relevant employing company ceases to be a member of the Group, all options granted to the relevant person, to the extent of those not already exercised, shall lapse and the date of lapse shall be determined by the directors' discretion.

The total number of shares which may be issued upon exercised of all options to be granted under the Option Scheme and other schemes of the Group must not in aggregate exceed 10% of the shares in issue upon completion of the share offer and the capitalisation issue of the time dealings in the shares commence on the Stock Exchange unless a fresh approval from the shareholders of the Company has been obtained.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted under the Option Scheme and any other scheme of the Company shall not exceed 30% of the issued share capital of the Company at any point in time.

The total number of shares issued and may be issued upon exercise of the options granted to each eligible person under the Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in twelve-month period must not exceed 1 % of the issued share capital of the Company.

Option granted under the Option Scheme must be accepted within 28 days from the date of grant. Upon acceptance, the grantee shall pay HK$1.00 to the Company as consideration for the grant. The subscription price for the shares under the Option Scheme shall be a price determined by the board of directors of the Company and notified to an eligible participant and shall not be lower than the highest of: (i) the nominal value of a share; (ii) the closing price of one share as stated in the daily quotation sheets issued by the Stock Exchange on the offer date, which shall be a business day; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the offer date.

Notes to the Financial Statements

24 SHARE CAPITAL (Continued)

Notes: (Continued)

(f) Share option (Continued)

Details of the share options granted under the Option Scheme to directors of the Company under the Option Scheme during the year and movement in such holding during the year are as follows:

	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1 January 2012	Exercised during the year	Outstanding at 31 December 2012 and 1 January 2013	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2013
Directors	24.11.2009	24.11.2009 to 23.11.2019	0.6624	1,450,382	(225,191)	1,225,191	(1,225,191)	–	–
	6.4.2011	1.6.2011 to 31.5.2014	1.4340	1,400,000	–	1,400,000	(500,000)	(400,000)	500,000
	6.4.2011	1.6.2012 to 31.5.2014	1.4340	1,400,000	–	1,400,000	(500,000)	(400,000)	500,000
				4,250,382	(225,191)	4,025,191	(2,225,191)	(800,000)	1,000,000

As at 31 December 2013, 1,000,000 share options were exercisable (2012: 4,025,191).

(g) Employee incentive scheme of CSPG ("EIS")

Prior to the acquisition of CSPG by the Group (Note 34), the EIS was approved by CSPG to the effect that 25,000,000 ordinary shares of the CSPG with a par value of US$0.01 each were issued to Sino Arena. Sino Arena holds a 4.35% equity interest of CSPG and it will hold the shares for and on behalf of eligible persons who are granted the shares according to the provisions of the EIS.

CSPG shares are granted to directors, employees and consultants of CSPG (collectively the "Participants") under the EIS. The exercise price of the granted shares is zero. Shares are vested to the employee upon completing three years' services. The Participants will be entitled to 30%, 30% and 40% of the shares granted after completion of each of the three-year continuous employment.

As part of the acquisition of CSPG, 20,010,000 shares of the Company, Series A convertible notes with a principal amount of HK$40,020,000 and Series B convertible notes with a principal amount of HK$40,020,000 was issued to the Trustee in exchange for the CSPG shares held by the Trustee. Since the Trustee will be accounted for as a structured entity of CSPG under HKFRS, its financial results and financial position will be consolidated into the Group. Other than the portion issued for the pre-combination services rendered under EIS, these shares and convertible note transferred will not be considered as part of the consideration transferred as part of the acquisition. The 20,010,000 shares issued to the Trustee would be consolidated as own shares held by the Company, and those shares are still held by the Trustee on trust.

During the year ended 31 December 2013, share-based payment expense of approximately HK$63,619,000 was recognised in the consolidated income statement in relation to the EIS, including cash-settled portion of approximately HK$35,445,000 and equity settled portion of approximately HK$28,174,000.

Notes to the Financial Statements

25 RESERVES OF THE COMPANY

	Share premium HK$'000	Shares held under employee incentive scheme ("EIS") HK$'000	Share-based payment reserve HK$'000	Convertible note equity reserve HK$'000	Contributed surplus (Note) HK$'000	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2012	510,002	–	1,578	1,406,847	32,051	(1,307,165)	643,313
Loss for the year	–	–	–	–	–	(567,609)	(567,609)
Issue of shares upon exercise of share options (Note 24(c))	126	–	–	–	–	–	126
Issue of shares in relation to acquisition of an available-for-sale financial asset (Note 24(b))	18,554	–	–	–	–	–	18,554
Share-based payment	–	–	262	–	–	–	262
Total transactions with owners	18,680	–	262	–	–	–	18,942
Balance at 31 December 2012 and 1 January 2013	528,682	–	1,840	1,406,847	32,051	(1,874,774)	94,646
Loss for the year	–	–	–	–	–	(2,435,229)	(2,435,229)
Issue of shares upon exercise of share options (Note 24(c))	2,023	–	–	–	–	–	2,023
Share option lapsed (Note 24(f))	–	–	(408)	–	–	408	–
Issuance of shares on conversion of convertible notes (Note 24(d))	1,830,337	–	–	(1,322,933)	–	–	507,404
Issuance of HK$233 million convertible notes (Note 26)	–	–	–	137,762	–	–	137,762
Issuance of shares in relation to a business combination (Note 34)	1,334,023	–	50,865	288,661	–	–	1,673,549
Issuance of shares to a trustee in relation to EIS (Note 24(g))	28,414	(30,415)	–	–	–	–	(2,001)
Issue of shares through placement (Note 24(e))	86,797	–	–	–	–	–	86,797
Share-based payment (Note 24(g))	–	–	28,174	–	–	–	28,174
	3,281,594	(30,415)	78,631	(896,510)	–	408	2,433,708
Balance at 31 December 2013	3,810,276	(30,415)	80,471	510,337	32,051	(4,309,595)	93,125

Note:

The contributed surplus of the Company represents the difference between the nominal value of the share capital issued by the Company and the underlying net assets of subsidiaries which were acquired by the Company pursuant to a group reorganisation during the year ended 31 March 2000.

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is available for distribution to shareholders of the Company. However, a company cannot declare or pay dividends, or make a distribution out of contributed surplus, if: (1) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (2) the realisable value of the Company's assets would thereby be less than the aggregate of its issued share capital and share premium account.

Notes to the Financial Statements

26 CONVERTIBLE NOTES

	Convertible note issued on 25 October 2010 (Note (a)) HK$'000	Series A convertible notes (Note 34) HK$'000	Series B convertible notes (Note 34) HK$'000	USD50 million convertible notes (Note (b)) HK$'000	USD70 million convertible notes (Note (b)) HK$'000	USD120 million convertible notes (Note (b)) HK$'000	HK$233 million Convertible notes (Note c) HK$'000
Initial recognition							
Convertible note – financial liabilities at amortised cost	531,155	135,463	–	359,184	518,669	877,853	95,197
Unrealised fair value loss at issuance date	–	–	–	(96,860)	(139,066)	(235,926)	–
	531,155	135,463	–	262,324	379,603	641,927	95,197
Convertible note – financial liabilities at fair value through profit or loss	–	–	–	171,748	241,660	413,408	–
Equity component	1,406,847	288,661	–	–	–	–	137,762
Contingent consideration payables	–	–	1,287,739	–	–	–	–
Fair value loss at issuance date recognised in consolidated income statement	–	–	–	(62,969)	(101,719)	(164,688)	–

Summarised below is the movement of each component during the year:

	Convertible note issued on 25 October 2010 (Note (a)) HK$'000	Series A convertible notes (Note 34) HK$'000	Series B convertible notes (Note 34) HK$'000	USD50 million convertible notes (Note (b)) HK$'000	USD70 million convertible notes (Note (b)) HK$'000	USD120 million convertible notes (Note (b)) HK$'000	HK$233 million Convertible notes (Note c) HK$'000	Total HK$'000
Convertible note – financial liabilities at amortised cost								
At issuance	531,155	–	–	–	–	–	–	531,155
Accumulated interest accretion	62,904	–	–	–	–	–	–	62,904
1 January 2012	594,059	–	–	–	–	–	–	594,059
Interest accretion	58,606	–	–	–	–	–	–	58,606
31 December 2012 and 1 January 2013	652,665	–	–	–	–	–	–	652,665
Acquisition of subsidiaries (Note 34)	–	135,463	–	–	–	–	–	135,463
Issuance of convertible notes (Note b, c)	–	–	–	262,324	379,603	641,927	95,197	737,124
Interest accretion	58,450	11,001	–	14,198	19,150	33,348	188	102,987
Amortisation of unrealised fair value loss	–	–	–	7,423	6,172	13,595	–	13,595
Conversion of convertible notes (Note 24 (d))	(664,423)	–	–	–	–	–	–	(664,423)
31 December 2013	46,692	146,464	–	283,945	404,925	688,870	95,385	977,411

Notes to the Financial Statements

26 CONVERTIBLE NOTES (Continued)

Summarised below is the movement of each component during the year: (Continued)

	Convertible note issued on 25 October 2010 (Note (a)) HK$'000	Series A convertible notes (Note 34) HK$'000	Series B convertible notes (Note 34) HK$'000	USD50 million convertible notes (Note (b)) HK$'000	USD70 million convertible notes (Note (b)) HK$'000	USD120 million convertible notes (Note (b)) HK$'000	HK$233 million Convertible notes (Note c) HK$'000	Total HK$'000
Liability component – financial liabilities at fair value through profit or loss	–	–	–	–	–	–	–	–
1 January 2013	–	–	–	–	–	–	–	–
Issuance of convertible notes (Note b)	–	–	–	171,748	241,660	413,408	–	413,408
Fair value gain recongised in consolidated income statement	–	–	–	(63,983)	(90,924)	(154,907)	–	(154,907)
31 December 2013	–	–	–	107,765	150,736	258,501	–	258,501
Total – liabilities component								
1 January 2013	652,665	–	–	–	–	–	–	652,665
31 December 2013	46,692	146,464	–	391,710	555,661	947,371	95,385	1,235,912
Equity component								
At issuance, 1 January 2012, 31 December 2012 and 1 January 2013	1,406,847	–	–	–	–	–	–	1,406,847
At issuance	–	–	–	–	–	–	137,762	137,762
Acquisition of subsidiaries (Note 34)	–	288,661	–	–	–	–	–	288,661
Conversion of convertible notes (Note 24(d))	(1,322,933)	–	–	–	–	–	–	(1,322,933)
31 December 2013	83,914	288,661	–	–	–	–	137,762	510,337

Notes to the Financial Statements

26 CONVERTIBLE NOTES (Continued)

Summarised below is the movement of each component during the year: (Continued)

	Convertible note issued on 25 October 2010 (Note (a)) HK$'000	Series A convertible notes (Note 34) HK$'000	Series B convertible notes (Note 34) HK$'000	USD50 million convertible notes (Note (b)) HK$'000	USD70 million convertible notes (Note (b)) HK$'000	USD120 million convertible notes (Note (b)) HK$'000	HK$233 million Convertible notes (Note c) HK$'000	Total HK$'000
Contingent consideration payables								
1 January 2013	–	–	–	–	–	–	–	–
Acquisition of subsidiaries (Note 34)	–	–	1,287,739	–	–	–	–	1,287,739
Fair value gain on contingent consideration payables	–	–	(43,278)	–	–	–	–	(43,278)
31 December 2013	–	–	1,244,461	–	–	–	–	1,244,461

Notes:

(a) On 25 October 2010, the Company issued convertible note in the principal amount of HK$850,000,000 (of which its fair value at the issuance date is approximately HK$1,938,002,000) as part of the consideration for the acquisition of solar energy business. The convertible note is interest free and is convertible into shares of the Company at a conversion price of HK$0.538 per share at any time up to the maturity date on 24 October 2015, except for during a lock-up period from the date of issuance to 31 December 2011. The conversion price was adjusted from HK$0.538 per conversion share to HK$0.507 per conversion shares as a result of the change in capital structure following the acquisition of CSPG. Upon mutual agreement between the note holder and the Company, the Company may redeem the outstanding principal amount of the convertible note or any part thereof at a price equal to 100% of such relevant outstanding principal amount of the convertible note at any time prior to such maturity. Unless previously redeemed, converted or purchased and cancelled, the notes will be redeemed on the maturity date on 24 October 2015 at the principal amount.

(b) On 8 October 2013, the Company issued convertible notes ("Original Convertible Notes") in the principal amount of US$50,000,000 (approximately HK$387,500,000). The convertible notes bear coupon rate of 5% and are convertible into shares of the Company at a conversion price of HK$1.60 per share at any time up to the maturity date on 8 October 2016. On or at any time after 18 months from the date of issue of the convertible notes but not less than 14 business days prior to the maturity date, the Company may require all of the bondholders to surrender their convertible notes for conversion into shares at the conversion price then in effect if the volume weighted average price of the shares of the Company for the 60 trading day period immediately preceding the date upon which mandatory conversion notice is given is not less than HK$2.60.

On 14 November 2013, the Company further issued additional convertible notes ("Additional Convertible Notes") in the principal amount of US$70,000,000 (approximately HK$542,500,000). These convertible notes bear coupon rate of 5% and are convertible into shares of the Company at a conversion price of HK$1.60 per share. The Additional Convertible Notes will be consolidated and form a single series with the Original Convertible Notes issued by the Company on 8 October 2013.

The convertible notes are secured by a share mortgage over shares of certain subsidiaries, charge over a restricted bank account for interest reserve purpose (Note 23).

Notes to the Financial Statements

26 CONVERTIBLE NOTES (Continued)

Notes: (Continued)

(b) (Continued)

The fair value of the USD120 million convertible notes is determined by using the binomial model, with the following key assumptions:

	At issuance date	At 31 December 2013
Fair value of shares of the Company	HK$1.86 to HK$1.90 each	HK$1.52 each
Conversion price	$1.60 per share	$1.60 per share
Coupon rate	5%	5%
Redemption price	135%	135%
Risk free interest rate	0.5690% to 0.6652%	0.6998% to 0.7975%
Time to maturity	2.9 years to 3 years	2.77 years
Expected volatility	50%	50%
Expected dividend yield	0%	0%

The fair value of the liability component of USD120 million convertible notes is determined by using the discounted cash flow method, with the following key assumptions.

	At issuance date	At 31 December 2013
Time to maturity	2.9 years to 3 years	2.77 years
Redemption price	135%	135%
Discount rate	15.9% to 16.50%	19.3%

The excess of the fair value of the USD120 million convertible notes at issuance over the market value of the shares convertible on the same date of HK$164,688,000 is recognised as a fair value loss on initial recognition in the consolidated income statement.

(c) On 27 December 2013, the Company issued convertible notes in the principal amount of approximately HK$233,000,000 (equivalent to RMB185,000,000). The convertible bond is of zero coupon and is convertible into shares of the Company at a conversion price of HK$1.60 per share at any time up to the maturity date of five years from the date of issuance. At any time during a period of five years from the date of issuance of the convertible notes, the Company is entitled to redeem in whole or in part of the convertible notes then outstanding at par value.

The fair value of the liability component at the date of the issue of the HK$233 million convertible notes was calculated using a market interest rate for an equivalent non-convertible notes. The residual amount, representing the value of the equity conversion component, is included in the convertible notes equity reserve.

The bond holder owns the conversion right, and at the same time, the Group owns the redemption right. Both conversion and redemption rights could be exercisable from the issuance date until maturity. None of the rights has priority over the other. With reference to a valuation report prepared by an independent valuer, since the Group may exercise its redemption right to extinguish the HK$233 million convertible notes, the fair value of the convertible notes as a whole is equal to the par value of HK$233 million.

The fair value of the liability component of HK$233 million convertible notes is determined by using the discounted cash flow method, with the following key assumptions.

Time to maturity	5 years
Discount rate	19.6%
Probability of early redemption	0% (due to zero coupon)

Notes to the Financial Statements

27 DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using taxation rates enacted or substantively enacted by the end of the reporting period in the respective jurisdictions. The net movement in the deferred tax assets and liabilities is as follows:

	2013 HK$'000	2012 HK$'000
At 1 January	31,339	31,693
Acquisition of subsidiaries (Note 34)	469,487	–
Charged to the consolidated income statement (Note 11)	(171,715)	(354)
Charged to other comprehensive income	802	–
Exchange difference	4,421	–
At 31 December	334,334	31,339

	2013 HK$'000	2012 HK$'000
Deferred tax liabilities to be recovered after more than 12 months	333,606	30,632
Deferred tax liabilities to be recovered within 12 months	728	707
	334,334	31,339

The movement in deferred tax liabilities during the year is as follows:

	Accelerated tax depreciation HK$'000	Fair value gains HK$'000	Total HK$'000
At 1 January 2012	91	31,693	31,784
Charged to the consolidated income statement	–	(354)	(354)
At 31 December 2012 and 1 January 2013	91	31,339	31,430
Acquisition of subsidiaries (Note 34)	–	469,487	469,487
Reversal of deferred tax liability on impairment of concession rights	–	(168,000)	(168,000)
Credited to the consolidated income statement	–	(3,715)	(3,715)
Charged to other comprehensive income	–	802	802
Exchange difference	–	4,421	4,421
At 31 December 2013	91	334,334	334,425

Notes to the Financial Statements

27 DEFERRED TAXATION (Continued)

The movement in the deferred tax assets in relation to tax losses during the year is as follows:

	HK$'000
At 1 January 2012	91
Charged to the consolidated income statement	–
At 31 December 2012 and 1 January 2013	91
Charged to the consolidated income statement	–
At 31 December 2013	91

Deferred tax asset is expected to be recovered after more than 12 months.

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised deferred tax assets of HK$60,673,000 (2012: HK$30,407,000) in respect of tax losses of HK$248,847,000 (2012: HK$127,832,000), that can be carried forward against future taxable income. Total unrecognised tax losses of HK$18,106,000 (2012: HK$18,250,000) can be carried forward indefinitely; while cumulative tax losses of HK$137,000 (2012: Nil), HK$112,270,000 (2012: HK$109,582,000) and HK$118,334,000 (2012: Nil) will be expired in 2016, 2017 and 2018 respectively.

28 TRADE AND BILLS PAYABLE, OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Trade and bills payable	**335,591**	378,497	**–**	–
Customers' deposits	**162,099**	71,296	**–**	–
Amounts due to related companies	**69,088**	16,000	**–**	–
Other payables and accruals	**587,919**	22,893	**7,321**	3,690
	1,154,697	488,686	**7,321**	3,690

Amounts due to related companies are unsecured, interest-free and repayable on demand.

As at 31 December 2013, included in the other payables and accruals is construction cost payable to a shareholder of HK$467,674,000 (2012: Nil). The amount is unsecured, interest-free, repayable by 30 June 2014 and denominated in RMB.

The average credit period from the Group's trade creditors is of 30 to 90 days (2012: 30 to 90 days). The ageing analysis of trade payable is as follows:

	Group	
	2013 HK$'000	2012 HK$'000
Not yet due	**278,599**	288,106
1-30 days	**5,824**	6,304
31-60 days	**2,382**	1,828
61-90 days	**48,786**	82,259
	335,591	378,497

Notes to the Financial Statements

28 TRADE AND BILLS PAYABLE, OTHER PAYABLES AND ACCRUALS (Continued)

The carrying amounts of trade and bills payable, other payables and accruals approximate their fair values and are denominated in following currencies:

	2013 HK$'000	2012 HK$'000
RMB	1,134,042	476,941
Others	20,655	11,745
	1,154,697	488,686

29 AMOUNTS DUE TO SHAREHOLDERS

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Non-current				
Amounts due to shareholders	–	26,000	–	21,000
Current				
Amounts due to shareholders	26,200	–	21,000	–
	26,200	26,000	21,000	21,000

The amounts are unsecured, interest-free and are due by 30 September 2014. The amounts are denominated in Hong Kong dollar.

30 BORROWINGS

	2013 HK$'000	2012 HK$'000
Non-current		
Long-term bank borrowings	839,449	–
Current		
Current portion of long-term bank borrowings	63,595	–
Short-term bank borrowings	185,943	98,765
Loan from a third party	127,189	–
	376,727	98,765
Total borrowings	1,216,176	98,765

Notes to the Financial Statements

30 BORROWINGS (Continued)

Notes:

(a) As at 31 December 2013, all bank borrowings are secured by the following:

(i) land use rights (Note 14);

(ii) Buildings, power generators and equipment (Note 15) and investment properties (Note 16);

(iii) pledged bank deposits (Note 23); and

(iv) legal charges over land use rights owned by a shareholder of the Company.

(b) An analysis of the borrowings by currency is as follows:

	2013 HK$'000	2012 HK$'000
RMB	1,172,049	98,765
US$	44,127	–
	1,216,176	98,765

(c) The long term bank borrowing which is wholly repayable in 13 years, and the short-term bank borrowings are wholly repayable within five years.

(d) As at 31 December 2013, the Group had aggregate banking facilities of approximately HK$1,493,838,000 (2012: HK$465,432,000) for trade financing, loans and import bills. Unused facilities as at the same date amounted to approximately HK$266,877,000 (2012: HK$165,642,000).

(e) The loan from a third party is unsecured, interest-free, repayable after 30 June 2014 and is denominated in RMB.

(f) The effective interest rates per annum of borrowings at the end of the reporting period were 6.43% (2012: 7.10%).

31 DEFERRED GOVERNMENT GRANT

The deferred government grant represented the subsidies granted by the PRC government to the Group.

	2013 HK$'000	2012 HK$'000
At 1 January	84,000	84,000
Acquisition of subsidiaries (Note 34)	1,883	–
Received during the year	26,223	–
Recognised in the consolidated income statement	(3,582)	–
Exchange difference	2,931	–
At 31 December	111,455	84,000

Notes to the Financial Statements

32 CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash generated from operations

	2013 HK$'000	2012 HK$'000
Operating activities:		
Loss before income tax expense	(2,477,175)	(813,359)
Adjustments for:		
Provision for inventories obsolescence	1,698	11,490
Provision for doubtful debt	12,803	9,028
Amortisation of land use rights	3,302	3,173
Deprecation of property, plant and equipment	82,986	38,643
Loss on disposal of property, plant and equipment	188	4
Revaluation loss of buildings prior to transfer to investment properties	7,194	–
Fair value (gain)/loss on investment properties	(37)	469
Fair value gain on contingent consideration payables	(43,278)	–
Fair value gain on previously held interests in CSPG	(197,896)	–
Impairment charge on goodwill in relation to acquisition of CSPG	1,205,018	612,788
Impairment charge on concession rights	819,145	–
Fair value loss on put option issued relating to acquisition of an associate	163,782	–
Fair value loss on financial asset at fair value through profit or loss	100,589	–
Share-based payment expenses	63,619	262
Share of loss of an associate	1,019	667
Amortisation of deferred government grant	(3,582)	–
Interest income	(183,100)	(1,629)
Interest expense	356,607	66,585
Operating loss before working capital changes	(87,118)	(71,879)
Changes in working capital		
Inventories	29,942	(18,912)
Trade and other receivables, deposits and prepayments	727,019	78,866
Financial assets at fair value through profit or loss	(6,282)	–
Trade and bills payable, other payables and accruals	(193,158)	139,027
Cash generated from operations	470,403	127,102

(b) Proceeds from disposal of property, plant and equipment

In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	2013 HK$'000	2012 HK$'000
Net book amount (Note 15)	188	4
Loss on disposal of property, plant and equipment	(188)	(4)
Proceeds from disposal of property, plant and equipment	–	–

Notes to the Financial Statements

33 COMMITMENTS

(a) Capital commitments

	2013 HK$'000	2012 HK$'000
Contracted but not provided for		
– Property, plant and equipment	254,314	196,314
– Land use rights	11,429	11,093
	265,743	207,407

(b) Commitments under operating leases

At 31 December 2013, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises and warehouses as follows:

	2013 HK$'000	2012 HK$'000
Within one year	3,103	334
After one year but within five years	3,751	263
	6,854	597

(c) Future operating lease receivables

At 31 December 2013, the Group had future aggregate lease receivables under non-cancellable operating leases for investment properties as follows:

	2013 HK$'000	2012 HK$'000
Within one year	2,980	1,143
After one year but within five years	3,970	692
	6,950	1,835

Notes to the Financial Statements

34 BUSINESS COMBINATION

On 10 June 2013, the Group completed the acquisition of a 92.17% equity interest in CSPG, which was satisfied by (i) issuance of 959,462,250 shares of the Company ("Consideration Shares") and (ii) issuance of convertible notes with a principal amount of approximately HK$1,160 million, which comprise of series A convertible notes with a principal amount of approximately HK$312 million and series B convertible notes with a principal amount of approximately HK$848 million.

CSPG is mainly engaged in the provision of solar energy related products and solutions and development, investment, operation and management of solar power plants. It also possesses the rights to develop and operate various solar power plant projects (the "Concession Right"). The acquisition enables the Group to achieve a vertical integration of its solar energy business.

The following table summarises the consideration paid for CSPG, the provisional fair value of assets acquired, liabilities assumed and the non-controlling interest as at 10 June 2013.

	HK$'000
Consideration:	
– Consideration Shares – 939,452,250 ordinary shares (Note (a))	1,427,968
– Series A convertible notes – equity component (Note (b)(i))	288,661
– Series A convertible notes – liability component (Note (b)(i))	135,463
– Series B convertible notes – contingent consideration payables (Note (b)(ii))	1,287,739
Total consideration transferred	3,139,831
Fair value of previously held interests in CSPG (Note (c)), (Note 20)	218,740
Fair value of shares issued by CSPG for pre-combination services	50,865
Total consideration	3,409,436

	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Land use rights	645
Property, plant and equipment	1,665,791
Intangible assets	2,447,995
Inventories	11,598
Financial asset at fair value through profit or loss	188,312
Trade and other receivables and prepayments	963,298
Cash and cash equivalents	112,099
Trade and other payables	(824,828)
Current income tax liabilities	(38)
Bank borrowings	(1,886,819)
Deferred government grant	(1,883)
Deferred tax liabilities	(469,487)
Total identifiable net assets	2,206,683
Non-controlling interest	(2,265)
Goodwill (Note 17)	1,205,018
	3,409,436
Acquisition-related costs (included in administrative expenses in the consolidated income statement for the year ended 31 December 2013)	9,688

Notes to the Financial Statements

34 BUSINESS COMBINATION (Continued)

(a) Consideration shares

The fair value of the 939,452,250 ordinary shares issued was based on the market price of the Company on 10 June 2013.

(b) Convertible notes

The convertible notes are of zero coupon and will mature on the date falling on the fifth anniversary of the completion date, i.e. 9 June 2018. The holders have the right to convert the whole or part of the principal amount of convertible notes to ordinary shares of the Company at a consideration of HK$1 per share during the conversion period. The conversion period for Series A convertible notes commence on the first anniversary after its issuance date and ending on its maturity date. The conversion period for series B convertible notes commence on the expiry of the lock-up period in relation to the profit guarantee arrangement, as disclosed below, and ending on its maturity date. The Company is entitled to redeem the convertible notes after the first anniversary after its issuance and after the expiry of the lock-up period in relation to the profit guarantee arrangement for series A and B convertible notes, respectively.

The following table summarises the consideration paid for acquisition of CSPG, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the 10 June 2013.

(i) Series A convertible notes:

The fair value of the liability component of series A convertible notes is determined by using the discounted cash flow method, with the following key assumptions.

Time to maturity	5 years
Discount rate	15.0%
Probability of early redemption	0% (due to zero coupon)

The fair value of the equity component of series A convertible notes is determined by using the binomial model, with the following key assumptions:

Fair value of shares of the Company	HK$1.52 each
Conversion price	$1.00 per share
Risk free interest rate	0.7891%
Time to maturity	5 years
Expected volatility	59%
Expected dividend yield	0%
Bond yield	15.0%
Conversion period	After 1 year up to maturity date
Early redemption period	After 1 year up to maturity date

34 BUSINESS COMBINATION (Continued)

(b) Convertible notes (Continued)

(ii) Series B convertible notes – contingent consideration payable

If CSPG's cumulative profit before interest, tax, depreciation, amortisation and share-based payment expenses in relation to the EIS was less than HK$495,000,000 during the three years ending 31 December 2015 (the "Lock-up period"), the principal amount of Series B convertible notes will be adjusted by a pre-defined formula as specified in the sale and purchase agreement. However, in the event that the Group was able to meet the above profit guarantee requirement during the two years ending 31 December 2014, the Group shall be entitled to shorten the lock-up period to 31 December 2014.

The potential undiscounted amount of all principal repayments of Series B convertible notes that the Group could be required to make under this arrangement range from zero to HK$847,964,000.

Since the director of the Company are of the opinion that the profit guarantee arrangement could be met, the fair valuation of Series B convertible notes of approximately HK$1,287,739,000 is estimated using a similar approach as Series A convertible notes, as disclosed above, with similar assumptions being applied except for the conversion period and early redemption period where they are expected to be three years after the issuance date up to maturity date.

As at 31 December 2013, the fair value of the contingent consideration payables was estimated to be HK$1,244,461,000. There was a decrease of HK$43,278,000 and a gain was recognised in the consolidated income statement, mainly as a result of the increase in risk free rate of interest to 1.1961% and reduction of expected volatility to 50%.

The fair value of the Company's shares used to compute the fair value of the contingent consideration payables is HK$1.52 per share. If the change in fair value of the Company's shares shifted by 5%, the impact on the profit or loss would be approximately HK$60,000,000. The higher the fair value of the Company's shares, the higher the fair value of the contingent consideration payables.

(c) Previously held interest in CSPG

As at 31 December 2012, the Group held an approximately 8% equity interest in CSPG as available-for-sale financial asset. This transaction is accounted for as a business combination achieved in stages. The Group remeasured its previously held interest on 10 June 2013, and recognise a loss in the profit and loss. The difference between the fair value of the Group's previously held interest in CSPG of HK$218,740,000 on 10 June 2013 and its original investment cost of HK$20,844,000 is recognised as a gain on deemed disposal of this available-for-sale financial assets, in which part of the fair value gain of HK$197,896,000 in 2012 was previously recognised as a reserve under equity of the Group.

(d) Revenue and profit contribution

The revenue included in the consolidated income statement since 10 June 2013 contributed by CSPG was approximately HK$37,722,000. CSPG also contributed loss of approximately HK$242,339,000 over the same period. Had CSPG been consolidated from 1 January 2013, the consolidated income statement would show pro-forma revenue of approximately HK$341,139,000 and loss of approximately HK$2,392,355,000.

34 BUSINESS COMBINATION (Continued)

(e) Goodwill impairment

None of the goodwill recognised is expected to be deductible for income tax purposes.

The Group had recognised an impairment of goodwill of approximately HK$1,205,018,000. Please refer to Note 17 for more details.

(f) Acquired receivables

Included in the fair value of trade and other receivables and prepayments was trade receivables of approximately HK$292,000. The gross contractual amount for trade receivables due was approximately HK$292,000, and none is expected to be uncollectible.

(g) Financing arrangements

In conjunction with the acquisition mentioned above, a short-term bank loan of RMB800 million (equivalent to HK$1,004 million) was obtained by CSPG to finance the construction of a 100 MW solar power plant in Jiayuguan, the PRC, during the year ended 31 December 2012. The borrowing was guaranteed by the original shareholder of the solar power plant and a current shareholder of the Company (the "Vendor"). The interest rate of this loan is 12.05% per annum. The loan is repayable by 2 instalments and the final instalment was due in December 2013. In accordance with the terms of the sale and purchase agreement, CSPG shall only bear the loan interest at 6.55% per annum and the Zhongli Group shall bear the interests and related charges above 6.55% per annum.

(h) Guaranteed electricity income arrangement with the Vendor

According to the sale and purchase agreement entered into between CSPG and the Vendor in respect of the acquisition of a 100MW solar power plant in Jiayuguan, the PRC, and a 20MW solar power plant in Gonghe, the PRC, the Vendor undertake that the solar power plants shall be fully and officially connected to the State Grid from 1 January 2013 onwards. The number of aggregate grid hours of these two solar power plants are guaranteed to no less than 1,800 hours per annum for the initial 10 years of operations. In case the grid electricity output in any year is lower than the minimum threshold as specified, the shortfall of electricity tariffs would be payable by the Vendor to CSPG. In addition, if CSPG are able to obtain VAT tax benefits from its operations, the guaranteed hours would be reduced to 1,700 hours per annum. As at 31 December 2013, a financial asset at fair value through profit or loss of approximately HK$94,005,000 in relation to this arrangement was recognised in the consolidated statement of financial position based on the shortfall of electricity output in 2013.

(i) Provisional fair values of acquired identifiable assets

The fair value of the acquired identifiable assets is provisional pending receipt of the final valuations for those assets. Deferred tax of HK$469,487,000 has been provided in relation to these fair value adjustments.

Notes to the Financial Statements

35 EVENTS AFTER THE BALANCE SHEET DATE

(a) Acquisition of an associate

On 7 January 2014, the Group completed the acquisition of a 45% equity interest in Changzhou Dinghui New Energy Limited ("Target") for a cash consideration of RMB4,500,000 (equivalent to HK$5,724,000). The principal activities of Target are the development of three solar power plants located in Gonghe, Qinghai Province, the PRC with an aggregate solar electricity generation capacity of approximately 180MW. The acquisition shall enable the Group to further expand its scale of business in the solar energy sector.

On 8 January 2014, the Group had entered into a conditional sale and purchase agreement to acquire the remaining 55% equity interest in the Target for cash consideration of RMB5,500,000 (equivalent to approximately HK$6,996,000) ("Acquisition"). The completion of the Acquisition is dependent on the fulfilment of a number of conditions, amongst others, the approval from shareholders of the Company.

(b) Placing of new shares

On 29 January 2014, the Company issued 480,000,000 shares through placement with a price of HK$1.72 each. The net proceeds from the placement was approximately HK$808,697,000.

(c) Acquisition of subsidiaries

On 27 March 2014 and 28 March 2014, the Group completed the acquisition of 86.79% equity interest of Guodian Chahaeryouyiqianqi Solar Power Company Limited and 90.33% equity interest of Guodian Wulatehouqi Solar Power Company Limited ("Guodian Project Companies") respectively. The Guodian Project Companies are principally engaged in the development, investment, operation and management of solar power plants in Inner Mongolia, PRC, with an aggregate installed capacity of approximately 90MW. They have achieved on-grid connection successfully.

The total consideration of approximately RMB159,000,000 (equivalent to approximately HK$202,304,000) is to be settled by cash. Up to 31 December 2013, the Group has paid HK$100,000,000 as deposit for acquisition.

Notes to the Financial Statements

36 RELATED PARTY TRANSACTIONS

Related parties refer to entities in which the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or directors or officers of the Company and its subsidiaries. Other than those balances and transactions disclosed elsewhere in the financial information, during the Relevant Period, a summary of significant related party transactions entered into in the normal course of business between the Group and its related parties during the year and balances arising from related transactions at 31 December 2013 and 2012 are as follows:

(a) Significant related party transactions

		2013 HK$'000	2012 HK$'000
(i)	Sales of electricity to China Merchants Bonded logistics Co. Limited, an affiliate of China Merchants New Energy Group Limited ("CMNEG")	1,112	–
(ii)	Sales of solar cells to Linsun Power Technology (Quanzhou) Corp. Ltd. ("LPTQ"), an affiliate of CMNEG	482	–
(iii)	Provision of processing services to LPTQ, an affiliate of CMNEG	102	–

Sales of electricity and solar cells and provision of processing services were carried out at prices mutually agreed between the parties.

(b) Key management compensation

	2013 HK$'000	2012 HK$'000
Salaries and other short-term employee benefits	13,515	5,661

Corporate Information

Board of Directors

Executive Directors

Mr. Li , Alan *(Chairman and CEO)*
Mr. Lu Zhenwei

Non-executive Directors

Academician Yao Jiannian
Mr. Yang Baiqian
Ms. Qiu Ping, Maggie
Mr. Wu Zhenmian

Independent Non-executive Directors

Mr. Kwan Kai Cheong
Mr. Ching Kwok Ho, Samuel
Mr. Yen Yuen Ho, Tony
Mr. Shi Dinghuan
Mr. Ma Kwong Wing

Company Secretary

Ms. Qiu Ping, Maggie

Board Committees

Audit Committee

Mr. Kwan Kai Cheong *(chairman)*
Mr. Ching Kwok Ho, Samuel
Mr. Yen Yuen Ho, Tony
Mr. Yang Baiqian

Remuneration Committee

Mr. Kwan Kai Cheong *(chairman)*
Mr. Yen Yuen Ho, Tony
Mr. Yang Baiqian

Nomination Committee

Mr. Yen Yuen Ho, Tony *(chairman)*
Mr. Kwan Kai Cheong
Mr. Li, Alan

Risk Control Committee

Mr. Yang Baiqian *(chairman)*
Mr. Li, Alan
Mr. Lu Zhenwei
Mr. Kwan Kai Cheong

Auditors

PricewaterhouseCoopers

Solicitors

Bermuda

Conyers Dill & Pearman

Hong Kong

Reed Smith Richards Butler
Troutman Sanders

Mainland China

Zhong Lun Law Firm, Shenzhen Office
Grandall Law Firm, Hangzhou Office

Principal Bankers

China Development Bank Corporation
Bank of China (Hong Kong) Ltd.
China Merchants Bank Co., Ltd.

Principal Share Registrar and Transfer Office in Bermuda

Appleby Management (Bermuda) Ltd.

Branch Share Registrar and Transfer Office in Hong Kong

Union Registrars Limited

Registered office

Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda

Head Office and Principal Place of Business in Hong Kong

Unit 1012, 10/F., West Tower, Shun Tak Centre,
168-200 Connaught Road Central, Hong Kong

Website

www.unitedpvgroup.com

Information for Investors

Announcement of Annual Results

28 March 2014

Annual General Meeting

27 June 2014

Information about Shares

Board Lot: 2,000 shares
Issued Shares as at 31 December 2013: 3,468,782,575 shares
Issued Shares as at 28 March 2014: 3,948,782,575 shares

Stock Code

Hong Kong Stock Exchange: 00686
Bloomberg: 686 HK
Reuters: 0686.HK

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